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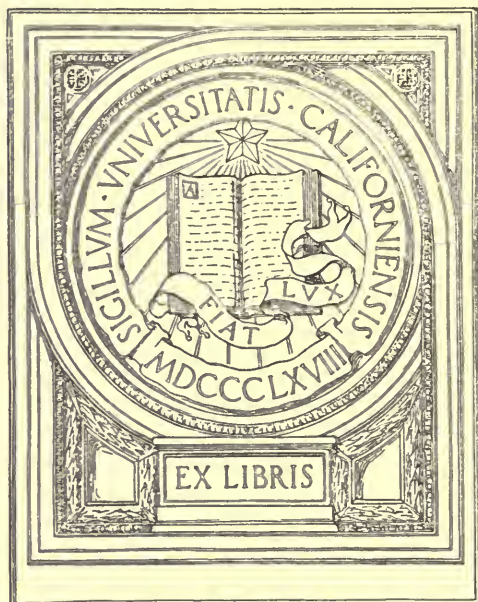
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PRINCIPLES OF BOOKKEEPING

*Introductory
Course*

MINER AND ELWELL

UNIVERSITY OF CALIFORNIA
AT LOS ANGELES



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MINER AND ELWELL SERIES

PRINCIPLES OF BOOKKEEPING

INTRODUCTORY COURSE

ILLUSTRATING THE JOURNAL METHOD OF
CLOSING THE LEDGER

BY

GEORGE W. MINER

AND

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GINN AND COMPANY

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PREFACE

The modern business world demands of its employees economy and efficiency, and the commercial training in our schools, to be successful, must meet this demand of the business world by texts whose value is educational as well as practical. Such a text the authors have tried to furnish in this volume. Their aim has been an elementary book which shall present a simple, practical study of the basic facts of book-keeping in a manner that will command the interest of the pupil and that will impress upon his mind the methods and practices of the office as well as the duties and technical knowledge and vocabulary of the bookkeeper and the accountant. The grading and development of the work, its classification, the terms used, and the forms adopted all have the same aim,—the making of an efficient, well-informed bookkeeper.

To apply a principle is of far more practical value than the ability to define it, and in this text principles are described and applied by the pupils before they are formally defined for them. This inductive method, characteristic of the entire book, stimulates the pupil to think for himself and to cultivate the self-reliance and independence so universally demanded of him. The numerous exercises and illustrations used in the approach to a given subject, and the many and varied reviews and problems, are positive factors in appealing to and developing this independence.

As a basis for the elementary work, the authors have adopted the pupil's own knowledge of simple business transactions,—the exchange of values with which he is already familiar in the buying of many of the articles used in the home. Thus the new subject is approached with confidence through well-known operations.

A number of sets are arranged for business practice which may be carried out as fully as the instructor desires; for since all of this work is optional, it may be fitted to the needs of the individual class. The business practice may be omitted in any set at the discretion of the instructor.

The introduction of a retail set in which a cash journal is used, and of a set presenting departmental bookkeeping, add to the extent and the value of the work.

The authors wish to acknowledge their indebtedness to the following persons for helpful suggestions and criticisms of the manuscript: Henry R. Hatfield, Professor of Accounting, University of California; Stephen W. Gilman, Professor of Business Administration, University of Wisconsin; John R. Wildman, Professor of Accounting, New York University; J. A. Book, Head of the Commercial Department, South Division High School, Milwaukee, Wisconsin; Ivan E. Chapman, Head of the Commercial Department, Northwestern High School, Detroit, Michigan; Elizabeth Campbell, Commercial Department, High School, Somerville, Massachusetts; Myron F. Palmer, Principal Bay Path Institute, Springfield, Massachusetts.

Business men, bookkeepers, and certified public accountants have also been consulted freely regarding many features of the text, and their practical suggestions have added to the working value of the book.

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PRINCIPLES OF BOOKKEEPING

CHAPTER I

FUNDAMENTAL PRINCIPLES

BUSINESS TRANSACTIONS EXPLAINED

Business Transactions. A business transaction is an exchange of values; that is, one value is given in return for another.

Property. In some transactions some form of *property* is exchanged for money.

ILLUSTRATION. A man bought a table for cash, \$30. What was the value received? the value parted with?

Use, or Hire. In other business transactions the value received or parted with is the *use*, or the *hire*, of property which belongs to another.

ILLUSTRATION. You hired a horse and carriage at a livery for an afternoon drive for which you paid cash, \$3. What was the value received? the value parted with?

Labor, or Service. In still another kind of business transaction the value received or parted with is *labor*, or *service*.

ILLUSTRATION. A merchant hired a young man as a clerk and at the end of each week paid him cash, \$10. What was the value received? the value parted with?

Promises. In some business transactions the value received or parted with is an oral or an implied *promise*.

ILLUSTRATION. A jeweler sold Henry Bird a watch for which he was to receive \$20, in 1 mo. The value received by the jeweler was the promise of Henry Bird, and the value parted with was the watch.

Exercise 1. Business Transactions

For Oral Work

Name the value received and the value parted with in each of the following transactions:

Property:

1. A young man bought a pair of skates for cash, \$3.
2. You bought a hat for cash, \$2.

3. A man bought an automobile for cash, \$1000.
4. A man bought a piano for his daughter for cash, \$400.
5. A sportsman owned a rifle which he sold for cash, \$25.

Use, or Hire :

1. A merchant rented a store for which he paid cash, each month, \$75.
2. A doctor rented a suite of rooms in a business block for which he paid cash, each month, \$50.
3. You hired an automobile for one hour for which you paid cash, \$3.
4. A man borrowed \$300 from a neighbor and at the end of 2 mo. he returned it and paid cash, \$3, as interest.
5. You loaned \$50 for 6 mo. which was repaid to you at the end of the time, with cash, \$1.50, as interest.

Labor, or Service :

1. A man paid a boy cash, 75¢, for shoveling the snow from his sidewalk.
2. You gave a doctor cash, \$20, for attending you during an illness.
3. A bookkeeper received cash, \$60, for his monthly salary.
4. A messenger delivered some packages for you for which you paid him cash, \$1.
5. You paid a stenographer cash, \$10, for copying a manuscript.

Promises :

1. A tailor sold John Larson a suit of clothes for \$35, to be paid for in 20 da.
2. A grocer sold John Fallon a barrel of flour for \$6, to be paid for in 10 da.
3. A dealer sold John Kenyon a Morris chair for \$15, to be paid for in 20 da.
4. You bought of Connor & Co. a set of books for \$12, to be paid for in 1 mo.
5. A woman bought of Searle & Son a writing desk for \$18, to be paid for in 30 da.

Exercise 2. Business Transactions

For Oral Work

Name the value received and the value parted with in each of the following representative transactions from the business of a merchant, John A. Weeks :

- Feb. 1.* Bought of L. A. Crane, for cash, 2050 yd. cambric at 5¢.
- 2.* Sold E. C. Lyman, for cash, 550 yd. cambric at 7¢.

Feb. 3. Sold John Lester, for cash, 260 yd. cambric at 7¢.

4. Bought of H. A. Lowney, for cash, 1020 yd. fancy gingham at 9¢. 91.80

5. Sold James Wade, for cash, 320 yd. fancy gingham at 12¢. 38.40

6. Sold James Snyder, for cash, 75 yd. cambric at 7¢. 5.25

8. Bought of Henry A. Wren, for cash, 500 yd. cambric at 5¢. 25.00

9. Sold Horace Jensen, for cash, 275 yd. cambric at 7¢.

10. Bought of Henry Taylor, for cash, 250 yd. fancy gingham at 9¢.

11. Sold Miller & Co., for cash, 200 yd. fancy gingham at 12¢.

12. Sold Jones & Son, for cash, 450 yd. cambric at 7¢.

13. Sold John S. Reed, for cash, 250 yd. fancy gingham at 12¢.

15. Sold Wilson & Allen, for cash, 300 yd. cambric at 7¢.

16. Sold Henry Winters, for cash, 150 yd. cambric at 7¢.

Merchandise and Cash. The technical term applied to goods bought to be sold is *merchandise*; that applied to all forms of money, and business papers which pass as money, is *cash*. Cash includes gold, silver, paper money, checks, money orders, etc.

Exercise 3. Business Transactions

For Written Work

Take a sheet of paper and draw a line through the middle of the page from the top to the bottom. On the left side of the line write the technical name of the value received, and on the right side of the line write the technical name of the value parted with, for each transaction in Exercise 2.

The transactions of *Feb. 1* and *2* will appear as follows, in the order named:

Mdse. Purchases	\$102.50	Cash	\$102.50
Cash	38.50	Mdse. Sales	38.50

Exercise 4. Business Transactions

For Written Work

Work out in the same form as in *Exercise 3* the following representative transactions from the business of a merchant, *Richard S. Rowe*:

SUGGESTION. As a review this exercise may be used orally.

March 1. Bought of N. P. Weston, for cash, 400 bu. wheat at \$1.

2. Sold Wm. Dresser, for cash, 100 bu. wheat at \$1.25.

3. Paid Henry A. Milton cash, for rent of the store for 1 mo., \$28.

A receipt similar to the one illustrated in the following script form would be received by Richard S. Rowe from Henry A. Milton.

The value received was the use of the store, and the name of this value is *Rent Paid*.

<i>Albany, N.Y., Mar. 3, 19--</i>	
<i>Received of</i>	<i>Richard S. Rowe</i>
<i>Twenty-eight</i>	<i>00/100</i>
	<i>Dollars</i>
<i>for rent of store for March</i>	
<i>\$ 28 00</i>	<i>Henry A. Milton</i>

A RECEIPT

March 4. Bought of Henry N. Curtis, for cash, 200 bu. rye at \$1.

5. Bought of A. L. Waters 50 bu. clover seed at \$6, and Mr. Rowe agreed to pay for it in 30 da.

In this transaction the value received is the 50 bu. of clover seed, and the value parted with is the stated or implied promise to pay for it in 30 da.

6. Sold Harry M. Wells 80 bu. wheat at \$1.25, and he agreed to pay for it in 10 da.

The transactions for *March 5* and *6* will appear on the written sheet as follows:

Mdse. Purchases	\$300	Promise to A. L. Waters	\$300
Promise of Harry M. Wells	100	Mdse. Sales	100

8. Sold Henry Dawson, on account, 60 bu. rye at \$1.30.

In this transaction *on account* means that the goods sold are to be paid for at some future time. A promise was received.

9. Sold Henry Cook, on account, 120 bu. wheat at \$1.25.

10. Sold Henry C. Baker, for cash, 12 bu. clover seed at \$7.50.

11. Received of Henry Dawson cash, to apply on account, \$50.

Henry Dawson's promise given *March 8* is here redeemed.

In this transaction *to apply on account* means that a *part* of what was owed on a given account was paid.

12. Bought of Carey & Co., on account, 200 bu. wheat at \$1.

13. Bought of Lee & Wise, for cash, 100 bu. rye at \$1.

15. Bought of T. A. Larson, for cash, 3 T. coal for office use at \$7.

The name of the value received is *Fuel*.

16. Sold Henry D. Wilson, for cash, 150 bu. rye at \$1.30.

March 17. Sold John S. Wise, on account, 18 bu. clover seed at \$7.50.

18. Received of Henry Cook cash, to apply on account, \$100.

19. Received of Henry Dawson cash, in full of account, \$28.

In full of account means that *all* that was owed on a given account was paid.

20. Paid Carey & Co. cash, to apply on account, \$125.

Exercise 5. Business Transactions

For Written Work

Work out in the same form as in Exercise 3 the following representative transactions from the business of a merchant, John R. Howe:

SUGGESTION. As a review this exercise may be used orally.

April 1. Bought of John E. Smith, for cash, 200 yd. Brussels carpet at \$1.50.

2. Bought of Thomas A. Elton, for cash, 150 yd. ingrain carpet at 80¢.

3. Sold James Warren, on account, 50 yd. Brussels carpet at \$2.

4. Sold Hale & Co., for cash, 60 yd. ingrain carpet at \$1.

5. Bought of Ernest M. Little, on account, 100 yd. velvet carpet at \$1.40.

6. Paid Seth E. Drake cash, for rent of the store for April, \$30.

8. Received of James Warren cash, to apply on account, \$50.

9. Sold Helen S. Meek, for cash, 20 yd. velvet carpet at \$1.75.

10. Paid Ernest M. Little cash, to apply on account, \$75.

11. Sold Henry C. Dane, on account, 40 yd. Brussels carpet at \$2.

12. Sold Hale & Co., on account, 30 yd. ingrain carpet at \$1.

13. Received of James Warren cash, in full of account, \$50.

15. Bought of James Hardin, for cash, 4 T. coal for office use at \$7.50.

16. Sold James Warren, on account, 50 yd. Brussels carpet at \$2.

17. Sold Mary S. Packard, for cash, 25 yd. velvet carpet at \$1.80.

18. Paid John E. Brown, a clerk, cash, \$15.

The value received was the service of the clerk, and the name of this value is *Salary*.

Debits and Credits. In the preceding exercises all items at the left of the perpendicular line are *debits*, and all items at the right are *credits*; hence *debits* represent values *received*, and *credits* represent values *parted with*.

We come into possession of things because we are able to give something in return for the things we receive and own, and bookkeeping

necessitates the keeping of a record of all that is received and of all that is parted with. In business whatever we own costs us something, and this appears as a *debit record*, whatever we part with produces something, and this appears as a *credit record*.

ILLUSTRATION. A man paid \$5 for a hat; the ownership of the hat cost him the \$5, and the parting with the \$5 made him the owner of the hat.

Journalizing. A systematic classification of debits and credits in business transactions is called *journalizing*.

By custom, the *left-hand* side is the *debit* side, and the *right-hand* side the *credit* side.

Exercise 6. Debits and Credits

For Oral Work

As an oral exercise, go over all the transactions in Exercises 4 and 5 and classify the values received and parted with as debits and credits.

Promissory Notes. In the preceding exercises it has been shown that men often buy and sell goods by giving or receiving an oral or an implied promise to pay. This is indicated by writing in the record the name of the person by whom or from whom the promise was given or received, this name indicates the value given or received.

When the promise is made in writing, it is called a *promissory note*.

\$1200 ⁶⁵	Boston, Mass., Jan. 16, 19—
Thirty days	after date I promise to pay to
the order of Morgan, Taylor & Co.	
Twelve hundred ⁶⁵ / ₁₀₀	Dollars
at Winthrop National Bank	
Value received	
No. 12 Due Feb. 15, 19—	Henry W. Sherman

A PROMISSORY NOTE

In this note Henry W. Sherman promises to pay Morgan, Taylor & Co. the sum of \$1200.65. This note was made on Jan. 16, 19—, and payment will be made 30 da. after that date

Your written promise to pay another person a sum of money is called *notes payable*; the written promise of another to pay you is called *notes receivable*.

The promissory note in the illustration would be classified as *notes payable* by Henry W. Sherman, and as *notes receivable* by Morgan, Taylor & Co.

When a note made by another person comes into your possession, the name of the value received is *notes receivable*; when you give your note to another person, the name of the value given by you is *notes payable*.

The following transactions and the records for each should be studied carefully:

Receive of A. T. Parker his note at 10 da., on account; record as follows:

Notes Receivable	|	A. T. Parker
------------------	--	--------------

Give your note at 30 da. to James L. Monroe, on account; record as follows:

James L. Monroe	|	Notes Payable
-----------------	--	---------------

When you receive payment from A. T. Parker, make this record:

Cash	|	Notes Receivable
------	--	------------------

When you pay your note in favor of James L. Monroe, make this record:

Notes Payable	|	Cash
---------------	--	------

When the settlement is made for a note, the money is received from or given to a person or a firm. In the following exercise, do not use the name of the person or the firm in making the record.

When money is received for a note in full, the record shows *Cash* as the value received, and *Notes Receivable* as the value parted with, and the note is returned to the person who signed it, marked *Paid*. The business has received cash and parted with a note.

When one pays a note, the value parted with is *Cash*, and the value received is *Notes Payable*; the note is then returned, marked *Paid*.

Exercise 7. Promissory Notes

For Oral Work

Name the debit and the credit in each of the following transactions:

1. Give W. B. Mercer your note at 10 da., to apply on account, \$200.
2. Receive of A. B. Slater his note at 30 da., to apply on account, \$300.
3. Give Lowe & Co. your note at 15 da., to apply on account, \$400.
4. Receive of H. M. Lawton his note at 10 da., to apply on account, \$500.
5. Receive of A. B. Slater cash, for his note, \$300.
6. Pay Lowe & Co. cash, for your note, \$400.

7. Give A. L. Bronson your note at 20 da., in full of account, \$150.
8. Pay W. B. Mercer cash, for your note, \$200.
9. Receive of David I. Ware his note at 15 da., to apply on account, \$250.
10. Pay A. L. Bronson cash, for your note, \$150.
11. Receive of David I. Ware cash, for his note, \$250.

Exercise 8. Business Transactions

For Written Work

Classify as debits and credits the following representative transactions from the business of a merchant, Daniel V. Case :

- June 1.* Bought of John L. Quaker, for cash, 100 bbl. apples at \$3.
2. Bought of E. E. Weller, on account, 175 bu. potatoes at 80¢.
3. Sold L. A. Kane, at 5 da., 25 bbl. apples at \$4.

At 5 da. means on account, to be settled within 5 da.

4. Sold Johnson & Co., at 10 da., 40 bu. potatoes at \$1.
5. Gave E. E. Weller a note at 5 da. for \$100, to apply on account.
6. Sold E. E. Wiser, for cash, 20 bbl. apples at \$4.
8. Received of L. A. Kane his note at 10 da. for \$80, to apply on account.

9. Sold James D. Kerns, on account, 80 bu. potatoes at \$1.
10. Paid E. E. Weller cash, for a note due to-day, \$100.
11. Received of James D. Kerns his note at 30 da. for \$50, to apply on account.

12. Received of Johnson & Co. their note at 20 da. for the amount of the invoice of *June 4*.

13. Received of L. A. Kane cash, in full of account.

Refer to *June 3* and *8*.

15. Sold Hill & Co., on account, 10 bbl. apples at \$4.
18. Received of L. A. Kane cash, for his note due to-day, \$80.

SUGGESTIONS FOR RULING

Good mechanical work is essential in bookkeeping. If good results are to be secured, the pen, the ruler, and the blotter must be used in the right way.

When red ink is procurable, use it in ruling; always have a blotter at hand; use a medium pen, not too fine; dip the pen in the ink lightly; avoid getting ink on the ruler.

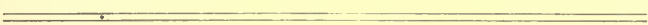
Use ordinary writing paper, ruled; sit facing the desk squarely; place the paper directly in front of you.

Place the beveled edge of the ruler just below the first ruled line on the page; keeping the pen on the ruled line with the point away from the ruler, draw a line across the page as follows:

Do not lift the pen until the line is finished. Continue this ruling until you have ruled a red line on every blue line of the page.

Now rule lines *between* the ruled lines of the page just finished.

Use a second sheet of paper for ruling *double* lines. Draw a single red line on the blue line; without moving the ruler draw a second red line just underneath the first. You now have parallel lines across the page.

Parallel lines: 

In ruling parallel lines the position of the ruler is not changed, but the hand is pressed slightly forward.

Repeat the parallel ruling until both sides of the sheet have been ruled, then rule parallel lines *between* the lines already ruled.

This work in ruling should be repeated from day to day until good results are secured.

THE SCRIPT FORMS AND MODELS

In connection with the student's preliminary work he is directed to write some of the script forms given on later pages. These forms represent the highest excellence in penmanship and may serve as models in writing for the student. The plan, statement, and arrangement of these models may be a guide to the student in all his work throughout the book. The method of placing matter on the page and the completeness of explanations are parts of high-grade bookkeeping.

While writing these models the student is learning how to place business transactions on the written page in the most approved manner. Business records are not only valuable when made, but may be of especial importance years hence; therefore it is necessary that the statements be clear not only to the writer but to any person who may have occasion to examine them at any future time. If books are introduced into court as evidence, the explanatory part of the records is often the most important. It is the experience of attorneys that very few books of record that are brought into court have any value as evidence, because of the incompleteness of the explanatory matter. If explanations are not made clearly, a correct entry is of little value as conclusive evidence.

Erasures are not to be tolerated, as they not only spoil the neatness of the page but often make entries look suspicious.

In the work of the modern bookkeeper the accuracy of the facts stated as well as the form in which these facts are set forth are of increasing importance. The purpose which the statements are to serve should always be kept in mind, and the facts should be so arranged as to give the reader the maximum amount of information with a minimum amount of effort upon his part. Courts of law not infrequently reject reports submitted to them because of the lack in clearness of statement. Various departments of municipal, state, and federal governments often require that certain reports and statements follow prescribed forms, and no others will be accepted.

From these facts the student should realize the importance of both accuracy and proper form in preparing reports and statements. The script and other forms in this text present to the student a special opportunity for learning the standard forms of statements generally used in modern business.

SET A. GENERAL MERCHANDISE

MODEL SET

Introductory Study. On pages 12, 13, 16, 17, 22, 32, 40, and 41 is a *model set*, in script, complete in every detail. This set was written from the Memoranda of Transactions on page 11.

The following principles apply to entries in the model journal:

A person who owes a debt is called a *debtor*; a person to whom a debt is owed, a *creditor*.

A *debit* is an amount due the business, or the amount of a thing or a service received; a *credit* is an amount owed by the business, or the amount of a thing or a service given.

In the preceding exercises the transactions have been those of an individual, but in the sets transactions are considered in relation to a business.

The money or property with which a man begins business, or which he puts into the business, is termed an *investment*.

In these practice sets cash investments will be used.

In Set A the proprietor, David Lane, makes a cash investment of \$1800.

The paragraph in script at the beginning of the journal is the *memorandum*, setting forth the conditions under which the business was begun.

Journalizing. Study each transaction of the following memoranda in connection with the entry for it in the model journal. Note both the debit and the credit, also the explanatory portion, and the name given to each column in the model journal.

MEMORANDA OF TRANSACTIONS¹

- Jan. 1.* David Lane began business, investing cash, \$1800.
2. Paid A. L. Benson cash, for rent of the store for January, \$40.
3. Bought of C. B. Mason for cash:
- 150 bbl. Flour at \$5.20
4. Sold John C. Eno for cash:
- 40 bbl. Flour at \$6.50
5. Bought of H. M. Field on account:
- 400 bu. Corn at 60¢
6. Sold R. N. Downs on account:
- 10 bbl. Flour at \$6.50 100 bu. Corn at 75¢
8. Gave H. M. Field a note at 5 da., to apply on account, \$150.
9. Received of R. N. Downs his note at 15 da., to apply on account, \$100.
10. Sold L. Marsh for cash:
- 20 bbl. Flour at \$6.50 120 bu. Corn at 75¢
11. Bought of Ira M. Banks on account:
- 25 bbl. Flour at \$5.20
13. Paid H. M. Field cash, for a note due to-day, \$150.
15. The Proprietor takes from the business \$50 in cash, to apply on his monthly salary.

Inventory, January 31, 19—

Merchandise:

105 bbl. Flour at \$5.20	\$546	546
180 bu. Corn at 60¢	108	650

NOTE. The Inventory is placed immediately after the Memoranda of Transactions, just for convenience. The use of the inventory is discussed on page 28.

The fundamentals of bookkeeping are recognized by all bookkeepers, but the forms of record vary. One of the simplest forms of recording business transactions is to write the dates, the debit and the credit titles, a complete history of the transactions, and the money values of the same in a book called the *journal*, including the explanations, and to collect and classify these entries in a book of accounts called the *ledger*.

This method is set forth in the introductory work.

¹ These transactions are journalized in script on pages 12 and 13.

January 1, 19—

Date	F. ¹	Debits, Credits, and Explanations	Debit Amounts	Credit Amounts
------	-----------------	-----------------------------------	---------------	----------------

		I, David Lane began business investing cash \$1800		
Jan. 1	16	Cash	1800	—
	17	David Lane		1800 —
2	17	Rent Paid	40 —	
	16	Cash		40 —
		Rent of store for Jan.		
3	17	Mdse. Purchases	780 —	
	16	Cash		780 —
		Invoice of C. B. Mason #1		
4	16	Cash	260 —	
	17	Mdse. Sales		260 —
		Sold J. C. Eno		
		40 bbl. Flour 6 ⁵⁰		
5	17	Mdse. Purchases	240 —	
	16	N. M. Field		240 —
		Invoice on account #2		
6	16	R. N. Downs	140 —	
	17	Mdse. Sales		140 —
		Sold on account		
		10 bbl. Flour 6 ⁵⁰	65 —	
		100 bu. Corn .75	75 —	
8	16	N. M. Field	150 —	
	16	Notes Pay.		150 —
		Note at 5 da. on account		
9	16	Notes Rec.	100 —	
	16	R. N. Downs		100 —
		Note at 15 da. on account		
10	16	Cash	220 —	
	17	Mdse. Sales		220 —
		Sold L. Marsh		
		20 bbl. Flour 6 ⁵⁰	130 —	
		120 bu. Corn .75	90 —	
			7	

MODEL JOURNAL

¹ The word folio is abbreviated as F., and means page.

Date		F.	Debits, Credits, and Explanations	Debit Amounts	Credit Amounts
<i>January 11, 19--</i>					
<i>Jan.</i>	<i>11</i>	<i>17</i>	<i>Merch. Purchases</i>	<i>130</i>	<i>—</i>
		<i>17</i>	<i>Ira M. Banks</i>		<i>130</i>
			<i>Invoice on account #3</i>		
<i>13</i>	<i>16</i>		<i>Notes Pay.</i>	<i>150</i>	<i>—</i>
	<i>16</i>		<i>cash</i>		<i>150</i>
			<i>In favor of H. M. Field</i>		
<i>15</i>	<i>17</i>		<i>Salary</i>	<i>50</i>	<i>—</i>
	<i>16</i>		<i>cash</i>		<i>50</i>
			<i>To apply on monthly salary of Proprietor</i>		

MODEL JOURNAL (CONTINUED)

Analysis of the Model Journal. The following is an analysis of each entry in the model journal. Similar analyses should be used frequently in connection with journalizing, in order to familiarize the student with the principles which govern his work in bookkeeping.

Entry 1. Cash is debited because value was received by the business under the title *Cash*.

David Lane is credited because he invested value in the business.

Entry 2. Rent Paid is debited because value was received by the business in the use of the store.

Cash is credited because value was parted with by the business under the title *Cash*.

Entry 3. Merchandise Purchases is debited because value was received by the business under the title given.

Cash is credited because value was parted with by the business under the title *Cash*.

Entry 4. Cash is debited because value was received by the business under the title *Cash*.

Merchandise Sales is credited because value was parted with by the business under the title given.

Entry 5. Merchandise Purchases is debited because value was received by the business under the title given.

H. M. Field is credited because he parted with value; the business became indebted to him: an oral promise was given for the merchandise bought.

- Entry 6.** R. N. Downs is debited because he received value; he became indebted to the business: an oral promise was received for the merchandise sold.
Merchandise Sales is credited because value was parted with by the business under the title given.
- Entry 7.** H. M. Field is debited because he received value from the business: a written promise is received by him to replace the oral promise.
Notes Payable is credited because value was given: the business issued a written promise to pay a certain sum of money.
- Entry 8.** Notes Receivable is debited because the business received value: a written promise for the payment of a certain sum of money.
R. N. Downs is credited because he has parted with value to the business: he gave his written promise to replace his oral promise.
- Entry 9.** Cash is debited because value was received by the business under the title *Cash*.
Merchandise Sales is credited because value was parted with by the business under the title given.
- Entry 10.** Merchandise Purchases is debited because value was received by the business under the title given.
Ira M. Banks is credited because he parted with value; the business became indebted to him: an oral promise was given for the merchandise bought.
- Entry 11.** Notes Payable is debited because the business gave value to redeem its written promise.
Cash is credited because value was parted with by the business under the title *Cash*.
- Entry 12.** Salary is debited because value was received by the business in the form of service.
Cash is credited because value was parted with by the business under the title *Cash*.

Summary of Principles. In the study of the preceding analysis it has been seen that we *debit* and *credit* as follows:

DEBIT	CREDIT
1. Merchandise and other property which is bought	2. Merchandise and other property which is sold
3. That which costs value	4. That which produces value
5. All moneys received	6. All moneys paid out
7. Persons when they become indebted to the business	8. Persons when the business becomes indebted to them
9. Persons when the business gets out of their debt	10. Persons when they get out of debt to the business
11. Other persons' notes received by the business	12. Notes given or issued by the business
13. Notes redeemed or paid by the business	14. Other persons' notes when paid by them to the business

The foregoing principles may be summarized as a *general principle for journalizing*, as follows:

Debit, under appropriate names, values that are received by the business.

Credit, under appropriate names, values that are given by the business.

Omission of Cents. In the money columns at the right, when writing an even number of dollars, put a dash in the cents column. This shows that an omission has not occurred, and prevents the use of unauthorized figures. Another practice is to place two ciphers in the cents column rather than the dash.

Exercise 9. Journalizing

For Written Work

Write the journal entries for Set A on a half sheet of journal paper. If journal paper is not available, rule a sheet of ordinary writing paper for a journal.

If necessary, refer to the script form on pages 12 and 13.

In writing this journal, omit the figures in the page column.

Keep this work for a subsequent exercise.

Posting. An *account* is a collection of related debits and credits under one heading.

An account may contain but one debit or one credit.

The *ledger* is a book which contains the accounts of the business.

Posting is the process of transferring debit and credit items to their respective accounts in the ledger.

At present all posting is from the journal.

Each different name that appears in the model journal requires an account or a heading of the same name in the ledger: therefore there are *twelve* accounts in the model ledger.

To *open an account*, write in the ledger, as a heading, the name to which items are to be posted.

Note that in the model journal the debits and the credits of cash are distributed over the entire page. Then note that in the model ledger the debits and the credits of cash appear under the heading of *Cash* on one section of the page. Posting brings about this classification of debits and credits under appropriate headings.

The model ledger on pages 16 and 17 shows the accounts posted from the model journal.

The left and the right side of the ledger have the same rulings; the left is the *debit* side, and the right is the *credit* side.

Cash											
Mo.	Da.	Explanation	F.	\$	¢	Mo.	Da.	Explanation	F.	\$	¢
Jan ¹⁹	1		12	1800	—	Jan ¹⁹	2		12	40	—
	4		12	260	—		3		12	780	—
	10		12	220	—		13		13	150	—
							15		13	50	—
Notes Receivable											
Jan ¹⁹	9		12	100	—						
R. N. Downs											
Jan ¹⁹	6		12	140	—	Jan ¹⁹	9		12	100	—
Merchandise Inventory											
Notes Payable											
Jan ¹⁹	13		13	150	—	Jan ¹⁹	8		12	150	—
H. M. Field											
Jan ¹⁹	8		12	150	—	Jan ¹⁹	5		12	240	—

Analysis of the Model Ledger. The posting of the model journal has been completed. The following is a full explanation of each account in the model ledger.

Each account in which there is more than one amount, either in the debit or in the credit column, should be footed; minute figures should be used to show these footings, and they should always be written in pencil. These pencil footings should be left in the account.

Cash Account :

The debit shows that the business received \$2280.

The credit shows that the business paid out \$1020.

This account is debited for all cash received, and credited for all cash paid out.

The purpose of this account is to record and show the receipts and the payments in cash, and the amount of cash on hand at a certain time.

The balance, that is, the debit (or total amount of cash received) minus the credit (or total amount of cash paid out), should be the balance on hand. Money kept in a bank as a deposit is counted as cash on hand.

Notes Receivable Account :

The debit shows that the business received notes made by others to the amount of \$100.

The absence of any credit amount shows that none of these notes receivable has been paid.

This account is debited for all notes receivable received by the business and is credited for all notes receivable that are paid.

If this account does not balance, the debit is the larger because the payments cannot amount to more than the notes receivable which have been received by the business.

Any balance in this account shows the amount due the business on notes receivable.

R. N. Downs's Account :

The debit shows that he has received values from the business to the amount of \$140.

The credit shows that he has paid the business \$100 to apply on his account.

This is a personal account.

Personal accounts are accounts with individuals, firms, or corporations. The debits of these accounts show the values received from the business; the credits show the values parted with to the business.

All personal accounts in a ledger in which the debit side is the larger show that the individual, the firm, or the corporation owes the business a certain amount.

How much does R. N. Downs owe the business ?

Merchandise Inventory Account :

At the close of the month this account will record, in this set, the value of the unsold merchandise as a debit amount.

Notes Payable Account :

The credit shows that the business issued notes payable to others to the amount of \$150.

The debit shows that the notes issued were redeemed, or paid in full, by the business.

This account is credited for all notes payable issued by the business.

It is debited for all notes payable that are redeemed, or paid, by the business.

If this account does not balance, the credit side is the larger because the amount of notes redeemed, or paid, cannot be greater than the amount of such notes issued.

Any balance in this account shows the amount owed by the business on notes payable.

H. M. Field's Account :

The credit shows that he has disposed of values to the business to the amount of \$240.

The debit shows that the business has paid him \$150 to apply on its account with him.

All personal accounts in a ledger in which the credit side is the larger show that the business owes the individual, the firm, or the corporation a certain amount.

How much does the business owe H. M. Field ?

Ira M. Banks's Account :

The credit shows that he has disposed of values to the business to the amount of \$130.

The absence of any debit amount shows that the business has not paid him anything to apply on its account with him.

David Lane's Account :

This is the *Proprietor's* account. The credit shows that he invested \$1800 in the business.

This account sets forth the money value of the Proprietor's interest in the business. This value is called the *proprietary interest*. Other items which may appear in this account will be considered later.

Merchandise Sales Account :

The credit shows that the business has sold merchandise to the amount of \$620. Other items which may appear in this account will be considered later.

Merchandise includes all goods that are bought to be sold. This account records the money value of the goods sold.

Merchandise Purchases Account :

The debit shows that the business bought merchandise to the amount of \$1150. Other items which may appear in this account will be considered later.

This account records the money value of all goods bought.

Rent Paid Account :

The debit shows that the business received value (the use of the store), which cost \$40.

The debit side only of this account is used, except for making some credit correction, or in closing.

This account represents an expense item; that is, a cost of carrying on the business.

Salary Account :

The debit shows that the business received value (personal service), which cost \$50.

This also is an account in which only the debit side is used, except for making a credit correction, or in closing.

It represents another expense item.

Similar analyses of ledger accounts should be used frequently.

The ledger is the book of accounts in the business and is referred to frequently for information that is wanted immediately; hence one should be able to understand and interpret an ordinary account at a glance. For this reason strong emphasis has been placed on the analysis of ledger accounts in the very earliest stages of the student's work in bookkeeping.

Exercise 10. Posting the Model Journal*For Study*

Examine the posting from the model journal to the model ledger, in the text. The model journal is on pages 12 and 13, and the model ledger on pages 16 and 17.

By referring to these script pages the student has the opportunity to study posting in just the form in which it will appear in his own work.

In the model journal in each entry the name that is debited appears first, and the name that is credited appears second. The *first* money column records the amount of the debit, and the *second* money column records the amount of the credit. All items in the first money column will be posted to the left (*debit*) side of the ledger; all items in the second money column will be posted to the right (*credit*) side of the ledger.

Trace the posting of each *debit* item in the model journal to the model ledger.

The first item in the model journal is Cash. Turn to the *Cash* account in the ledger, debit side, and note the *amount*, the *page* of the journal from which the item was posted, and the *date*. Above the date the year is written. The page of the ledger is written at the left of Cash in the journal, in the column at the head of which is *F.*, which means *folio* or *page*. The writing of these page numbers in both the ledger and the journal *checks* the posting; that is, it shows that the posting has been completed.

Failure to record the paging in posting leads to errors in bookkeeping, to a waste of time in locating the errors, and does not allow ready reference to be made from one book to the other.

The next debit item is Rent Paid. Turn to the *Rent Paid* account in the ledger and trace the amount, the page, and the date. Note that the ledger page is written at the left of Rent Paid in the journal.

Trace the posting of each *credit* item in the model journal to the model ledger.

The first credit item in the journal is David Lane. Turn to his account in the ledger, credit side, and note the amount, the page, and the date. Above the date the year is written. The page of the ledger is written at the left of David Lane's name in the journal.

The next credit item is Cash. Turn to the *Cash* account in the ledger, credit side, and note the amount, the page, and the date. Remember to write the page of the ledger at the left of Cash in the journal.

Exercise 11. Analysis of Entries

For Oral Work

Give the correct analysis of the following, stating the debit and the credit in each transaction :

1. Louis D. Warner invested cash, \$1000.
2. Bought of Jerome L. Bain, for cash, 20 bbl. apples for \$55.
3. Paid F. A. Rice cash, for rent of the store for 1 mo., \$30.
4. Received of Jones & Co. cash, to apply on account, \$100.
5. Paid Smith & Son cash, to apply on account, \$75.
6. Gave John A. Walton a note for \$200, to apply on account.
7. Received of Wm. C. Danner his note for \$140, to apply on account.
8. Paid John A. Walton cash, for a note, \$200.
9. Received of Wm. C. Danner cash, for his note, \$140.
10. Paid John Williams, a clerk, his salary in cash, \$35.

Trial Balance. The following script form is a trial balance of the preceding model ledger :

Trial Balance, Jan. 31, 19—

<i>F.</i>	<i>Name of Account</i>	<i>Debit</i>	<i>Credit</i>
	16 Cash	2280 —	1020 —
	16 Notes Receivable	100 —	
	16 R. N. Downs	140 —	100 —
	16 H. M. Field	150 —	240 —
	17 Ira M. Banks		130 —
	17 David Lane, Prop.		1800 —
	17 Mdse. Sales		620 —
	17 Mdse. Purchases	1150 —	
	17 Rent Paid	40 —	
	17 Salary	50 —	
		3910 —	3910 —

MODEL TRIAL BALANCE

The trial balance is a list of the names and the totals of each open ledger account; it shows that the total debits equal the total credits.

In the script trial balance the face of each account has been used; that is, the total debits and the total credits have been transferred to the trial balance. *Notes Payable* is omitted because the account balances.

In each journal entry the debit amount equals the credit amount; hence when all these debits and credits are collected and classified in the ledger, it must necessarily be true that the ledger should be in balance; the trial balance is a test to show that the equality of the debits and the credits has been maintained in the ledger as well as in the journal.

This trial balance uses only the *balance* of each ledger account:

Trial Balance, Jan. 31, 19—				
Cash	1260			
Notes Receivable	100			
R. N. Downs	40			
H. M. Field			90	
Ira M. Banks			130	
David Lane, Prop.			1800	
Mdse. Sales			620	
Mdse. Purchases	1150			
Rent Paid	40			
Salary	50			
	2640		2640	

Exercise 12. Posting

For Written Work

Each student has the journal of Set A recorded on a sheet of journal paper.

Post this exercise, using a half sheet of ledger paper. Allow ten lines for each account. Write the accounts in the same order as in the model ledger. Post the journal a second time.

In posting, write the name of the month and the year at the head of each account only once, and do not use ditto marks.

Post *all* the debit items first, and then *all* the credit items.

After all the journal items have been transferred to the ledger, the posting may be *rechecked*. This checking is usually done to locate an error.

Determine whether the first debit item in the journal has been posted correctly to the ledger. If it has, place a small check (✓) in pencil at the left of the first money column in the journal, and at the left of the folio column in the ledger. Use a pencil for checking, and make very *small* check marks. These marks should not be erased.

The following script illustrations will show how this checking should be done :

9	Notes Receivable	✓	306	20	
9	J. K. Lamson	✓			306 20
	Received his note at 30 days				
	on account				

¹⁹⁻ Apr. 6	Notes Receivable				
	¹³ 306 20				
	J. K. Lamson				
	¹⁹⁻ Apr. 6				
		✓	13	306 20	

Take trial balances of the ledgers just posted.
Keep this work for a subsequent exercise.

Exercise 13. Journalizing*For Written Work*

Journalize Exercise 2, page 2, in the same form as in the model journal. The names and the amounts are different from those in the model.

Under Feb. 1, the proprietor, John A. Weeks, makes a cash investment of \$1050. (This is an additional item.)

Make the memorandum and the entry for this investment, and then journalize the other business transactions.

When goods are bought, an invoice is received by the buyer and placed on file; for this reason the items of the invoice need not be recorded in the journal.

When goods are sold, an invoice is sent by the seller, and a copy of it is not always kept on file; for this reason the items of the invoice should be recorded in the journal.

These explanations in the journal are of great value in the courts of law.

Use half sheets of journal paper and ledger paper. In the ledger allow ten lines for each account.

Recheck the posting.

Take a trial balance.

Pass all work to the instructor.

*Get day
Journalize*

Monday

Exercise 14. Journalizing*For Written Work*

Journalize Exercise 4, page 3.

Under March 1, the proprietor, Richard S. Rowe, makes a cash investment of \$1250. (This is an additional item.)

Post to the ledger and then recheck the posting.

Take a trial balance.

Pass all work to the instructor.

Exercise 15. Journalizing*For Written Work*

Journalize Exercise 5, page 5.

Under April 1, the proprietor, John R. Howe, makes a cash investment of \$1150. (This is an additional item.)

Post to the ledger and then recheck the posting.

Take a trial balance.

Pass all work to the instructor.

Exercise 16. Journalizing*For Written Work*

Journalize Exercise 8, page 8.

Under June 1, the proprietor, Daniel V. Case, makes a cash investment of \$1350. (This is an additional item.)

Post to the ledger and then recheck the posting.

Take a trial balance.

Pass all work to the instructor.

SET B. FURNITURE

Opening the Set. Journalize the transactions in the following memoranda in the same form as in the model journal, on a half sheet of journal paper.

SUGGESTION. As a class exercise, each transaction may be journalized orally. Give the reason for each debit and each credit named.

MEMORANDA OF TRANSACTIONS

Feb. 1. Howard A. Marble began the Furniture business and invested cash, \$1600.

2. Bought of Lewis & Taylor for cash:

15 Oak Dining Tables at \$12.50 10 Library Tables at \$22.75

3. Paid H. A. Harper cash, for rent of the store for February, \$40.

3. Sold Wm. S. Warren for cash:

3 Oak Dining Tables at \$17.75 2 Library Tables at \$31.25

6. Bought of Reese & Co., for cash, office books and supplies amounting to \$13.50.

Debit *Office Supplies*; this will be the name of an account in your ledger.

8. Sold Ellis & Johnson on account:

4 Oak Dining Tables at \$17.75 3 Library Tables at \$32

10. Bought of John D. Rice on account:

10 Oak Dining Tables at \$14.25 12 Library Tables at \$15.35

13. The Proprietor takes from the business cash, to apply on his monthly salary, \$50.

16. Received of Ellis & Johnson cash, to apply on account, \$83.50.

18. Paid John D. Rice cash, to apply on account, \$200.

20. Received of Ellis & Johnson their note at 15 da for \$83.50, to apply on account.

Feb. 23. Sold A. R. Kelsey on account:

5 Oak Dining Tables at \$20.50

5 Library Tables at \$21.75

26. Received of A. R. Kelsey cash, to apply on account, \$125.

27. Paid Henry Mason, a clerk, cash, for his salary, \$30.

27. The Proprietor takes from the business cash, for the balance of his monthly salary, \$25.

Inventories, February 27, 19—

Merchandise :

8 Oak Dining Tables at \$12.50

\$100.

5 Oak Dining Tables at \$14.25

71.25

5 Library Tables at \$22.75

113.75

7 Library Tables at \$15.35

107.45

\$392.45

Office Supplies :

Books and Supplies

\$6.

NOTE. The use of the inventory is explained on page 28.

Closing the Set. Post to the ledger; allow eight lines for each account.

Take a trial balance.

Keep all this work for a subsequent exercise.

SET C. GRAIN AND SEED

Opening the Set. Journalize the transactions in this set in the same form as in the model journal, on a half sheet of journal paper.

SUGGESTION. As a class exercise, each transaction may be journalized orally. Give the reason for each debit and each credit named.

MEMORANDA OF TRANSACTIONS

March 1. Student begins the Grain and Seed business and invests cash, \$1500.

2. Pay Harold Brown cash, for rent of the store for March, \$40.

3. Buy of H. H. Morley for cash:

400 bu. Corn at 60¢

350 bu. Oats at 48¢

4. Sell Smith Bros. for cash:

200 bu. Corn at 75¢

100 bu. Oats at 60¢

6. Buy of Grace & Co., for cash, office books and stationery amounting to \$14.50.

The name of the account to be debited is *Office Supplies*.

March 8. Buy of Wm. A. Cannon on account:

250 bu. Wheat at \$1 15 bu. Clover Seed at \$6

10. Sell James A. Butler on account:

150 bu. Corn at 75¢ 200 bu. Oats at 60¢

13. Pay Wm. A. Cannon cash, to apply on account, \$200.

15. Buy of the Larkin Coal Co., for cash, 2 T. coal, for office use, at \$5.50.

17. Receive of James A. Butler his note at 10 da., to apply on account, \$100.

What name is given to his note?

20. Sell A. R. Burton for cash:

8 bu. Clover Seed at \$8

22. Give Wm. A. Cannon your note at 30 da., to apply on account, \$100.

What name is given to your note?

23. Sell Henry A. Barker on account:

120 bu. Wheat at \$1.25

24. Receive of James A. Butler cash, to balance his account, \$132.50.

25. The Proprietor takes from the business cash, for his salary, \$50.

26. Receive of Henry A. Barker cash, to apply on account, \$100.

27. Receive of James A. Butler cash, for his note due to-day, \$100.

What is the debit in this transaction? the credit?

29. Buy of Johnson & Co. for cash:

100 bu. Corn at 60¢ 100 bu. Oats at 48¢

30. Sell Harding & Co. for cash:

50 bu. Corn at 75¢ 50 bu. Oats at 60¢

31. Pay James A. Norton, a clerk, cash, for his salary, \$22.50.

Inventories, March 31, 19—

Merchandise:

100 bu. Corn at 60¢	\$60.	
100 bu. Oats at 48¢	48.	
130 bu. Wheat at \$1	130.	
7 bu. Clover Seed at \$6	<u>42.</u>	\$280.

Office Supplies:

10.

Fuel, 1 T. coal

5.50

NOTE. The use of the inventory is explained on page 28.

Closing the Set. Post to the ledger: allow fifteen lines for the *Cash* account and ten lines for all other accounts.

Before taking a trial balance rule the accounts in the ledger that balance. The script illustrations below show how to rule them. Rule the accounts of *James A. Butler* and *Notes Receivable*.

M. M. Pond

19-				19-			
Jan 6		3	210 11	Jan 9		3	100 -
12		4	100 14	20		4	260 40
23		5	56 50	30		6	146 35
29		6	140 -				
			506 75				506 75

D. A. Zook

19-				19-			
Jan 10		3	291 62	Jan 24		4	291 62

Take a trial balance.

Keep all this work for a subsequent exercise.

INVENTORIES, AND THE DETERMINATION OF PROFIT AND LOSS

Inventories. The student may verify the inventory in Set A, as follows:

How many barrels of flour were bought? How many barrels were sold? How many barrels should be on hand?

How many bushels of corn were bought? How many bushels were sold? How many bushels should be on hand?

/// An *inventory* is an itemized statement of the quantity and the value of the goods on hand. An inventory is usually taken at *cost* prices.]

It is customary to inventory unused office supplies, unused fuel, etc.

Inventories are taken at stated periods, as at the end of a year or at the end of a month.

Unless otherwise instructed, date each inventory under the *last day* of the month in which the set was written.

In business it is a common practice to make out the complete inventory on sheets of paper; these sheets are then bound and filed for subsequent use.

The Determination of Profit and Loss. In working out the following analysis of accounts, refer to the model ledger on page 16 and to the model trial balance on page 22:

In the *Merchandise Purchases* account, what are the total purchases?

In the *Merchandise Sales* account, what are the total sales?

What is the value of the merchandise on hand (the inventory)?

With the above data at hand, if any profit has been realized it can be determined as follows:

The value of the merchandise sold is \$620.

The total purchases amount to \$1150.

The value of the merchandise on hand is \$656.

The total purchases minus the merchandise on hand must equal the cost of the merchandise sold: $\$1150 - \$656 = \$494$, the cost of the merchandise sold.

The sales minus the cost of the merchandise sold must equal the profit on the merchandise sold: $\$620 - \$494 = \$126$, the profit on merchandise sold.

To summarize:

Mdse. Sales		\$620
Purchases	\$1150	
Inventory	656	
Cost of merchandise sold	<hr/>	494
Gross profit on sales		<hr/> \$126

Refer to the *Rent Paid* account. What amount was paid for rent? This is a loss. Why?

Refer to the *Salary* account. What amount was paid for salary? This is a loss. Why?

If the profit on merchandise sold is \$126 and the loss on rent and salary is \$90, what is the net profit; that is, the excess of the profit over the losses?

Exercise 17. Net Profits

For Written Work

Find the net profit in each of the following; make a statement according to the model on page 32:

1. Merchandise Purchases, \$655.20; Merchandise Sales, \$503.50; inventory, \$254.25. Rent Paid: debit, \$50.

2. Merchandise Purchases, \$854.40; Merchandise Sales, \$497.50; inventory, \$470. Salary: debit, \$35.

3. Merchandise Purchases, \$1192.20; Merchandise Sales, \$753.50; goods on hand, \$510.40. Rent Paid: debit, \$65.

4. Merchandise Purchases, \$987.70: Merchandise Sales, \$790; inventory, \$318.50. Rent Paid: debit, \$30. Salary: debit, \$20.

5. Merchandise Purchases, \$964.10: Merchandise Sales, \$702.25; inventory, \$458.30. Salary: debit, \$25.

6. Merchandise Purchases, \$1342.75: Merchandise Sales, \$1059; inventory, \$520. Rent Paid: debit, \$55.

Proprietary Interest. The excess of the *assets* over the *liabilities* is the *capital*, or the *present worth*, or the *proprietary interest*.

Merchandise Inventory. The merchandise on hand (the inventory) is an asset.

For the present, treat all inventories as assets.

The Open Account. In the preceding exercise it is clear that each open account (that is, an account that does not balance) has a positive bearing on the condition of the business; and if these results are properly classified, what has been accomplished by the business, as well as the present state of affairs, may be determined. In business these results are usually set forth at stated periods, either monthly or once or twice a year.

Exercise 18. Analysis of Accounts

For Oral Work

In working out this exercise, refer to the model ledger on page 16 and to the model trial balance on page 22.

Refer to the *Cash* account in the trial balance. What was the total cash received? the total cash paid out? the balance on hand? Is this balance an asset (property on hand) or a liability (amount owed)?

The *Notes Receivable* account shows notes on hand, and also that nothing has been received in settlement of any of the notes. Does this account show an asset or a liability?

In a legal sense notes on hand are a form of property.

What is the condition of *R. N. Downs's* account? Does he owe the business, or does the business owe him? Is the balance an asset or a liability?

If he owes the business, the amount is an asset.

What is the condition of *H. M. Field's* account? Does he owe the business, or does the business owe him? Is the balance an asset or a liability?

If the business owes him, the amount is a liability.

In the account of the *proprietor*, *David Lane*, what is the amount he invested in the business?

If David Lane's investment is \$1800, and the business has gained \$36 above all losses for the period, what is the proprietary interest on Jan. 31?

Profit and Loss Statement. Books are kept for the purpose of recording transactions and affording a basis for the preparation of statements.

The *results* of operations are shown by the profits realized and the losses sustained.

A formal statement of profits and losses is usually called a *profit and loss statement* or an *operating statement*.

When books are properly kept, not only the results are shown but also the sources from which those results were obtained.

ILLUSTRATION. In the script model statement, page 32, the result for the period, or the net profit of \$36, appears; but the source of this profit is in the *Merchandise Sales* account, \$126, while a loss of \$90 is shown, \$40 on Rent Paid and \$50 on Salary.

Balance Sheet or Financial Statement. The *condition* of the business is shown by the assets (or resources), the liabilities, and the proprietary interest.

The formal statement of the *assets*, the *liabilities*, and the *proprietary interest* is usually called a *balance sheet* or a *financial statement*.

When the assets are placed on the left side, offset by the liabilities and the proprietary interest on the right side, the term *balance sheet* is used; but when the assets, the liabilities, and the proprietary interest are arranged in statement form, the term *financial statement* is used. Both forms are illustrated on page 32.

Instructors should state the form they prefer the student to follow.

Net Profit. The *net profit* is the excess of the profits over the losses.

Net Loss. The *net loss* is the excess of the losses over the profits.

Assets. *Assets*, or *resources*, are property of value belonging to the business, or amounts due the business; that is, what the business owns.

Liabilities. *Liabilities* are amounts owed by the business; that is, the debts of the business.

Proprietary Interest. The *present worth*, or *capital*, or *proprietary interest* is the excess of assets over liabilities. It is the net worth of the business at a definite time as shown by the books. The excess of liabilities over assets is *insolvency*.

Read Haffield.

David Lane
Profit and Loss Statement
For the month of January, 19-

Mdse. Sales	620 —		
Mdse. Purchases 1150			
Mdse. Inventory, Jan 31 656			
Cost of merchandise sold	494 —		
Gross profit on sales		126 —	
Operating Expense			
Rent Paid	40 —		
Salary	50 —	90 —	
Net profit for January		36 —	
<i>David Lane</i> <i>Financial Statement</i> <i>January 31, 19-</i>			
<i>Assets</i>			
Cash	1260 —		
Notes Receivable	100 —		
R. N. Downs	40 —		
Mdse. Inventory	656 —		
Total Assets		2056 —	
<i>Liabilities</i>			
H. M. Field	90 —		
Sra M. Banks	130 —		
Total Liabilities		220 —	
Proprietary Interest			
David Lane Investment, Jan. 1	1800 —		
" " Net Profit	36 —		
" " Proprietary Interest, Jan. 31, 19-		1836 —	

Balance Sheet

<i>Assets</i>		<i>Liabilities</i>	
Cash	1260.	H. M. Field	90
Notes Rec.	100.	Sra M. Banks	130
R. N. Downs	40.	Proprietary Interest	
Mdse. Inventory	656.	David Lane Invest. 1800.	
		" " Net Profit 36.	1836.
	<u>2056.</u>		<u>2056.</u>

PROFIT AND LOSS STATEMENT, FINANCIAL STATEMENT, AND BALANCE SHEET

needs Re = Control account (not in ledger)
 purblind = (all books in ledger equal)
 T. L. Lane

Summary. In all profit and loss accounts:

If the credit, including the inventory if there is one, is larger than the debit, the account shows a profit.

If the debit is larger than the credit, including the inventory if there is one, the account shows a loss.

Profits are realized:

If the assets increase and the liabilities remain unchanged.

If the liabilities decrease and the assets remain unchanged.

If the assets increase and the liabilities decrease.

Losses are sustained:

If the liabilities increase and the assets remain unchanged.

If the assets decrease and the liabilities remain unchanged.

If the liabilities increase and the assets decrease.

In personal accounts:

If the debit is the larger, the account shows an asset.

If the credit is the larger, the account shows a liability.

If a personal account is given up as noncollectible, it then shows a loss.

Double-Entry Bookkeeping. The bookkeeping thus far explained is in double-entry form, and the cardinal principle of double-entry bookkeeping is that the total *debits* equal the total *credits*.

Exercise 19. Review

For Oral Work:

Name quickly the net profit or the net loss in each of the following:

1.		
PROFITS	LOSSES	
45 (a) \$110	\$65	
66 (b) 98	32	
(c) 125	175	50
169 (d) 231	72	
29 (e) 148	119	

2.		
PROFITS	LOSSES	
(a) \$120	\$150	30
51 (b) 118	67	
74 (c) 186	112	
771 (d) 224	153	
(e) 235	310	75

Name quickly the proprietary interest or the insolvency in each of the following:

3.		
ASSETS	LIABILITIES	
650 (a) \$1800	\$1150	
(b) 1450	1750	300
1230 (c) 2250	920	
1833 (d) 2975	1142	
3483 (e) 5575	2142	

4.		
ASSETS	LIABILITIES	
500 (a) \$2100	\$1520	
1235 (b) 1685	350	
(c) 1930	3010	2080
2775 (d) 3350	975	
3121 (e) 4352	1231	

only an itemized statement of goods or materials

Name quickly the profit or the loss in each of the following :

5.

	PURCHASES	SALES	INVENTORY
Merchandise :	(a) \$1100	\$600	\$700
	(b) 1250	750	350
	(c) 1075	725	450

6.

	DEBIT	INVENTORY
Fuel :	(a) \$155	\$90
	(b) 210	93
	(c) 86	62
	(d) 128	79

Name quickly the result in each of the following problems :

7. John Smith has assets amounting to \$800, and liabilities amounting to \$300. What is he worth ?

8. Increase his assets \$100 ; what is he worth ?

9. Decrease his assets \$100 ; what is he worth ?

10. Increase his liabilities \$100 ; what is he worth ?

11. Decrease his liabilities \$100 ; what is he worth ?

12. Increase his assets \$100, and decrease his liabilities \$100 ; what is he worth ?

13. Decrease his assets \$100, and increase his liabilities \$100 ; what is he worth ?

14. On page 35 there are four trial balances ; in each account name quickly those which show an asset and those which show a liability.

Exercise 20. Review

For Written Work

Directions. From the following trial balances statements are to be made ; use sheets of journal paper.

Unless otherwise instructed, use the form of statement given on page 32.

Proceed as follows :

1. Copy the trial balance at the head of the journal page.
2. Make the profit and loss statement which shows the net profit.
3. Make the balance sheet or the financial statement which shows the present worth, or the proprietary interest.
4. Date each statement Jan. 31, 19—.
5. When completed, pass all work to the instructor for approval.

1.

Cash	\$1655	\$650
H. Granger	352	141
F. Howard	368	255
Young & Co.	512	230
Hale & Co.	216	456
<i>Student, Prop.</i>		2000
Mdse. Sales		1873
Mdse. Purchases	2377	
Rent Paid	25	
Salary	100	
	<u>\$5605</u>	<u>\$5605</u>

Inventory :

Merchandise	\$752
-------------	-------

2.

Cash	\$525	
M. Carson	285	
Dunton & Co.	376	
Lacey & Co.	532	
H. Ranger		\$365
<i>Student, Prop.</i>		1850
Mdse. Sales		1893
Mdse. Purchases	2215	
Fuel	75	
Salary	100	
	<u>\$4108</u>	<u>\$4108</u>

Inventory :

Merchandise	\$564.75
-------------	----------

3.

Cash	\$874	
Lee & Dane	485	\$105
Jackson & Co.	325	84
Macey & Son	654	139
H. S. Arnold	125	637
A. B. Lawton	312	422
Lewis & Co.	100	205
<i>Student, Prop.</i>		2100
Mdse. Sales		1875
Mdse. Purchases	2560	
Office Supplies	32	
Salary	100	
	<u>\$5567</u>	<u>\$5567</u>

Inventories :

Merchandise	\$960 20
Office Supplies ¹	12.

4.

Cash	\$835	
Jas. Curry	358	
Louis Derby	298	
Henry Ware	252	
Adams & Co.		\$327
H. C. Cain		278
H. Wyman		113
<i>Student, Prop.</i>		1700
Mdse. Sales		1385
Mdse. Purchases	1945	
Fuel	65	
Rent Paid	50	
	<u>\$3803</u>	<u>\$3803</u>

Inventories :

Merchandise	\$751.50
Fuel ¹	33.

Exercise 21. Review*For Written Work*

In this exercise, use the trial balances the student has made in Sets A, B, and C. Follow the directions given in Exercise 20.

This work should be done without reference to the text.

After each statement has been approved by the instructor, keep the work for a subsequent exercise.

¹ These inventories are explained on page 36.

Make statements from the trial balances of the following sets:

1. Set A, page 10.
2. Set B, page 25.
3. Set C, page 26.

The inventories will be found in the text at the close of each set.

Additional Inventories. The fuel and office supplies unused at the time the statements are made are *inventories*.

ILLUSTRATION. If 10 T. of coal were bought at the beginning of the month and 4 T. were unconsumed at the end of the month, the 4 T. would constitute the inventory for the *Fuel* account.

When there is an inventory, the loss on the *Fuel* account is found as follows:

Fuel:		
Dr.	\$46.25	
Inventory	<u>16.20</u>	
Loss		\$30.05

The *loss* is the *difference* between the debit of the account and the inventory.

In making the balance sheet or financial statement, record the fuel inventory as an *asset*.

In making a detailed balance sheet or financial statement, never add together the inventories of different names, but use each as a separate amount.

It is not usual for the *Fuel* account to have any credits; but if the account is closed with fuel on hand, or if some fuel that has been bought is sold, then the account shows a credit.

All that has been said regarding the use of the fuel inventory will apply in every particular to the office supplies inventory.

- CLOSING THE LEDGER

Preliminary Work. The results and the condition of the business in Sets A, B, and C have been shown by the statements just made. The next step is to show the results of the business in the ledger. To do this it will be necessary to *close the ledger*.

To close the ledger it is necessary to close only such accounts as affect the *results* shown by the business; that is, the accounts that show profit or loss and the *Proprietor's* account.

Preparatory to closing the ledger the student should have some practice in ruling.

[illegible]

265790

to record the closing inventory, the cost of merchandise sold, and the profit on the merchandise sold. The following merchandise accounts and the closing inventory are used in the illustration:

MERCHANDISE PURCHASES

19— Jan.	6		5	1200						
	19		6	1350						
	26		7	850						
				<u>3400</u>						

MERCHANDISE SALES

				19— Jan.	10	6	950
					23	7	750
					29	8	<u>900</u>
							<u>2600</u>

On Jan. 31 the merchandise inventory was \$1100.

1. The first entry is to record the inventory of Jan. 31 in the journal. The entry is as follows:

Mdse. Inventory

1100

Mdse. Purchases

1100

= INVENTORY To record the merchandise inventory and to credit the *Merchandise Purchases* account for the merchandise remaining unsold on Jan. 31.

Open an account with *Merchandise Inventory*.

After posting this entry the accounts will appear as follows:

MERCHANDISE INVENTORY

19— Jan.	31		9	1100						
-------------	----	--	---	------	--	--	--	--	--	--

MERCHANDISE PURCHASES

19— Jan.	6		5	1200		19— Jan.	31		9	1100
	19		6	1350						
	26		7	850						
				<u>3400</u>						

2. The difference between the sides of the *Merchandise Purchases* account (\$2300) will now show the *cost of the merchandise sold*. Use this amount and make the following entry:

Mdse. Sales	2300	
Mdse. Purchases		2300
To transfer the balance of the <i>Merchandise Purchases</i> account, representing the cost of the merchandise sold, to the <i>Merchandise Sales</i> account.		

After posting this entry the accounts will appear as follows:

MERCHANDISE PURCHASES

19— Jan.	6		5	1200		19— Jan.	31		9	1100
	19		6	1350			31		9	2300
	26		7	850						
				3400						3400

MERCHANDISE SALES

19— Jan.	31		9	2300		19— Jan.	10		6	950
							23		7	750
							29		8	900
										2600

3. The difference between the sides of the *Merchandise Sales* account (\$300) will now show the profit on the merchandise sold. Use this amount and make the following entry:

Mdse. Sales	300	
Profit and Loss		300
To transfer the balance of the <i>Merchandise Sales</i> account, representing the profit on the merchandise sold, to the <i>Profit and Loss</i> account.		

After posting this entry the accounts will appear as follows:

MERCHANDISE SALES

19— Jan.	31		9	2300		19— Jan.	10		6	950
	31		9	300			23		7	750
							29		8	900
				2600						2600

			Cash								
Mo.	Da.	Explanation	F.	\$	¢	Mo.	Da.	Explanation	F.	\$	¢
Jan.	1			1800	—	Jan.	2			40	—
	4			260	—		3			780	—
	10			220	—		13			150	—
							13			50	—
Notes Receivable											
Jan.	9			100	—						
R. N. Downs											
Jan.	6			140	—	Jan.	9			100	—
Merchandise Inventory											
Jan.	31			656	—						
Notes Payable											
Jan.	13			150	—	Jan.	8			150	—
H. M. Field											
Jan.	8			150	—	Jan.	5			240	—
Ira M. Banks											
						Jan.	11			130	—

PROFIT AND LOSS

						19— Jan.	31				9	300
--	--	--	--	--	--	-------------	----	--	--	--	---	-----

Accounts which show Losses. The *second division* of the closing journal entries in this exercise deals with the accounts which show losses. The following *Rent Paid* account is used as an illustration:

RENT PAID

19— Jan.	3		5	25								
-------------	---	--	---	----	--	--	--	--	--	--	--	--

Make this entry to close this account into the *Profit and Loss* account.

Profit and Loss			25		
Rent Paid				25	
To close the <i>Rent Paid</i> account into the <i>Profit and Loss</i> account.					

After posting this entry the accounts will appear as follows:

RENT PAID

19— Jan.	3		5	25		19— Jan.	31			9	25
-------------	---	--	---	----	--	-------------	----	--	--	---	----

PROFIT AND LOSS

19— Jan.	31		9	25		Jan.	31			9	300
-------------	----	--	---	----	--	------	----	--	--	---	-----

If a *Salary* account were debited with \$45, it would be closed by making and posting an entry similar to that given for the *Rent Paid* account. After posting such an entry the accounts will appear as follows:

SALARY

19— Jan.	15		4	45		19— Jan.	31		9	45	

PROFIT AND LOSS

19— Jan.	31		9	25		Jan.	31		9	300	
	31		9	45							

Proprietor's Account. The *third division* of the closing entries in this exercise deals with the transfer of the net profit to the *Proprietor's* account. Assume that David Lane is the proprietor, and his account in the ledger shows an investment of \$1500 on Jan. 1. The following entry is necessary to transfer the net profit of \$230 (the balance of the *Profit and Loss* account) to the *Proprietor's* account:

Profit and Loss	230	
David Lane, Prop.		230
To transfer the balance of the <i>Profit and Loss</i> account, representing the net profit of the period, to the <i>Proprietor's</i> account.		

After posting this entry the accounts will appear as follows:

PROFIT AND LOSS

19— Jan.	31		9	25		19— Jan.	31		9	300	
	31		9	45							
	31		9	230							
	31			300						300	

DAVID LANE, PROPRIETOR

					19— Jan.	1 31		2 9	1500 230
--	--	--	--	--	-------------	---------	--	--------	-------------

In the *Proprietor's* account enter the *Present Worth* in red ink on the debit side; rule the account, and then transfer the *Present Worth* to the credit side of the account, below the rulings, in black ink, under Feb. 1.

The account will then appear as follows:

DAVID LANE, PROPRIETOR

19— Jan.	31	Present Worth ¹	1730		19— Jan.	1 31		2 9	1500 230
			1730						1730
					Feb.	1	Present Worth		1730

This completes the closing of the ledger.

Exercise 22. Closing the Model Ledger*For Written Work*

Transfer the accounts represented in the model ledger, pages 40 and 41, to a sheet of ledger paper, and then close the model ledger; the merchandise inventory is found on page 11. Make the closing entries on a sheet of journal paper.

After posting these entries and ruling the accounts, your work should agree with the model ledger closed, pages 40 and 41.

Exercise 23. Ledger Closings*For Written Work*

On slips of ledger paper and journal paper open the following accounts, and then make the necessary entries to close them. Use Jan. 31 for the date.

If necessary, the student may rule blank paper for the ledger and the journal.

1. Merchandise Purchases, \$565; Merchandise Sales, \$312; inventory, \$315.

2. Rent Paid, \$30.

¹ To be written in red ink.

3. Merchandise Purchases, \$980; Merchandise Sales, \$675; inventory, \$482.
4. Salary, \$40.
5. Merchandise Purchases, \$612; Merchandise Sales, \$496; inventory, \$375.

Find the net profit or the present worth in each of the following accounts, and then make the necessary entries to close them :

6. Profit and Loss: debit, \$116.25; credit, \$226.
7. *Student*, Proprietor: credit, \$1600; net profit, \$150.
8. Profit and Loss: debit, \$210; credit, \$325.
9. *Student*, Proprietor: credit, \$1500; net profit, \$165.
10. *Student*, Proprietor: credit, \$1700; net profit, \$235.

Exercise 24. Closing the Ledger

For Written Work:

Directions. On a half sheet of ledger paper open the following accounts; allow eight lines for each account:

I

Student, PROPRIETOR

					19— Jan.	1			1	1800	
--	--	--	--	--	-------------	---	--	--	---	------	--

MERCHANDISE SALES

						19— Jan.	11		3	725	
							22		3	240	
							29		5	70	

MERCHANDISE PURCHASES

19— Jan.	9		2	850					
	15		4	275					
	27		4	162					

RENT PAID

[illegible]

SALARY

[illegible]

Inventory :

Merchandise

\$465

a. Open the following accounts: *Merchandise Inventory* and *Profit and Loss*.

b. Make the necessary entries and postings to close the above ledger.

II

W. H. HANSEN, PROPRIETOR

					19— Feb.	1			1	1900	
--	--	--	--	--	-------------	---	--	--	---	------	--

MERCHANDISE SALES

					19— Feb.	9		3	208	50
						20		5	297	25
						26		6	510	65

Sundry Expense Inventory. Observe the following directions in closing the *Office Supplies* account:

Make the following entry to record the inventory upon the books of account:

Sundry Expense Inventory	8	50		
Office Supplies			8	50
To record the inventory and to credit the <i>Office Supplies</i> account for the office supplies remaining unused on March 31.				

After posting this entry the accounts will appear as follows:

SUNDRY EXPENSE INVENTORY

19— Mar.	31		7	8	50						
-------------	----	--	---	---	----	--	--	--	--	--	--

OFFICE SUPPLIES

19— Mar.	6		1	11	20	19— Mar.	31		7	8	50
	17		2	4	70						
	23		3	3	10						

Sundry Expense Inventory applies to all expense accounts in which inventories are found, at the end of a given period.

Make the following entry to close the *Office Supplies* account into the *Profit and Loss* account:

Profit and Loss	10	50		
Office Supplies			10	50
To close the <i>Office Supplies</i> account into the <i>Profit and Loss</i> account.				

After posting this entry the *Office Supplies* account will appear as follows:

OFFICE SUPPLIES

19— Mar.	6		1	11	20	19— Mar.	31		7	8	50
	17		2	4	70		31		7	10	50
	23		3	3	10						
				19						19	

It is now necessary to transfer the amount in the *Sundry Expense Inventory* account to the *Office Supplies* account so that the latter account will show the office supplies on hand April 1.

To accomplish this transfer make the following entry:

Office Supplies	8	50		
Sundry Expense Inventory			8	50
To transfer the inventory of office supplies to the <i>Office Supplies</i> account.				

After posting this entry the accounts will appear as follows:

OFFICE SUPPLIES

19— Mar.	6		1	11	20	19— Mar.	31		7	8	50
	17		2	4	70		31		7	10	50
	23		3	3	10						
				19						19	
Apr.	1		7	8	50						

SUNDRY EXPENSE INVENTORY

19— Mar.	31		7	8	50	19— Apr.	1		7	8	50

Exercise 25. Closing the Ledger

For Written Work

Directions. a. On a half sheet of ledger paper open the following accounts; allow eight lines for each account:

I

Student, PROPRIETOR

					19— Mar.	1		1	1750	

MERCHANDISE SALES

19—					Mar.	8				3	376	45
						16				4	282	
						27				5	432	90
						30				6	235	55

MERCHANDISE PURCHASES

19—												
Mar.	4		2	498	65							
	13		4	337	50							
	24		5	524	35							
	29		6	228	40							

OFFICE SUPPLIES¹

19—												
Mar.	5		2	13	25							
	16		4	6	80							
	22		5	5	50							

RENT PAID

19—												
Mar.	2		2	38								

Inventories :

Merchandise	\$524.50
Office Supplies	12.20

b. Open the following accounts: *Merchandise Inventory*, *Sundry Expense Inventory*, and *Profit and Loss*.

c. Make the necessary entries and postings to close the above ledger.

¹ See page 48.

II

Student, PROPRIETOR

						19— May	1			2	1875	
--	--	--	--	--	--	------------	---	--	--	---	------	--

MERCHANDISE SALES

						19— May	9			3	108	25
							16			4	396	35
							26			5	553	10
							29			5	65	40

MERCHANDISE PURCHASES

19— May	6			2	175	20						
	13			3	512	30						
	23			4	841	75						

OFFICE SUPPLIES

19— May	8			3	14	65						
	23			6	11	20						

FUEL¹

19— May	6			2	22	35						
	19			4	31	40						

¹ On page 48 instructions were given regarding the *Office Supplies* account and its inventory. These instructions will apply to the closing of the *Fuel* account.

SALARY

[illegible]

Inventories :

Merchandise	\$672.50
Office Supplies	16.40
Fuel	22.50

a. Open the following accounts: *Merchandise Inventory*, *Sundry Expense Inventories*, and *Profit and Loss*.

b. Make the necessary entries and postings to close the above ledger.

Exercise 26. Closing the Ledger

For Written Work:

The ledgers which the student posted and kept will now be used for this exercise.

In each ledger, open the necessary accounts for posting the closing journal entries.

1. Set A. Close the ledger. Compare the results with those shown in the statement of this set.
2. Set B. Close the ledger. Compare the results with those shown in the statement of this set. This set shows a net loss.
3. Set C. Close the ledger. Compare the results with those shown in the statement of this set.

After closing each ledger, keep it for a subsequent exercise.

Balancing the Cash Account. The *Cash* account in the ledger may be balanced according to the model at the top of the opposite page.

After balancing the account the condition of it is shown as a single item, the balance.

Any account may be balanced when the space assigned to it is filled and it is necessary to transfer it to a new space.

The use of red ink is largely a matter of custom. Many bookkeepers use no red ink at all, insisting that it is a waste of time to change from one to another. The use of red ink is advised for exercises in this book.

Cash

19 -				19 -			
Jan. 1		1	1250 10	Jan. 1		1	350 25
4		1	950 64	3		1	703 84
7		1	240 69	4		1	133 50
9		1	175 40	7		1	910 03
10		1	100 50	9		1	189 56
11		1	309 24	14		1	120 40
26		1	530 53				65 26
30		1	415 74				
			3972 84				3972 84
Feb. 1	Balance		1565 26				

Forwarding the Footings. Instead of balancing an account when it is necessary to transfer it to a new space, the total of each column may be carried forward. This is illustrated by the following script form:

Cash

19 -				19 -			
May 1		1	750 -	May 2		2	31 -
5		2	154 -	3		2	102 5
8		3	180 75	4		3	292 -
12		3	152 -	16		3	40 -
19		4	25 50	17		4	54 -
20		4	57 -	18		5	79 -
23		5	110 -	25		5	250 -
24		5	106 -	27		6	60 75
				28		6	47 -
				29		7	93 -
				31		7	21 -
31	Carried forward	26	1535 25	31	Carried forward	26	978 -

Cash

19 -				19 -			
June 1	Prot. foid	17	1535 25	June 1	Prot. foid	17	978 -

Exercise 27. Balancing the Cash Account*For Written Work*

Balance the *Cash* account in the ledgers of Sets A, B, and C.

SET D. TEA AND COFFEE

Directions. Journalize the following transactions, post (allowing ten lines for each account in the ledger), take a trial balance, make the statements, and close the ledger.

Balance the *Cash* account and then take a second trial balance.

Write on sheets of journal paper and ledger paper.

After the ledger has been closed, some of the accounts will have been changed; but if the work of the set has been done correctly, the balance of the ledger has not been impaired.

In making the second trial balance, use only the accounts which remain open upon the ledger.

If the student is able to do this work without assistance, he is ready for subsequent work; if not, he should rewrite one or more of the preceding sets.

MEMORANDA OF TRANSACTIONS

~~April 1.~~ Wm. A. Springer began the Tea and Coffee business, investing cash, \$1250.

3. Bought of Amos R. Hyde on account:

800 lb. Tea at 35¢

1200 lb. Coffee at 28¢

4. Sold L. ~~A. Swanson~~ for cash:

150 lb. Tea at 50¢

300 lb. Coffee at 35¢

5. Paid E. S. Washburn cash, for rent of the store for April, \$40.

6. Paid Hays & Co. cash, for office books and supplies, \$12.50.

8. Sold John Freeman on account:

240 lb. Tea at 50¢

150 lb. Coffee at 35¢

9. Paid Little & Lane cash for 6 T. coal at \$7.25.

11. Sold Harry M. Grace on account:

250 lb. Coffee at 35¢

12. Paid Amos R. Hyde cash, to apply on account, \$500.

13. Bought of Amos R. Hyde on account:

750 lb. Coffee at 28¢

15. Received of John Freeman cash, to apply on account, \$100.

April 16. The Proprietor takes from the business cash, to apply on his monthly salary, \$37.50.

17. Gave Amos R. Hyde a note at 10 da., to apply on account, \$150.

19. Sold Harper & Co. on account:

200 lb. Tea at 50¢

500 lb. Coffee at 35¢

20. Received of Harry M. Grace cash, in full for the sale of *April 11.*

22. Bought of Greene & Co. on account:

2000 lb. Tea at 35¢

23. Sold Miller & Dunn for cash:

800 lb. Tea at 50¢

24. Received of Harper & Co. their note at 30 da., to apply on account, \$100.

26. Sold Harry M. Grace on account:

200 lb. Tea at 50¢

27. Paid Amos R. Hyde cash, for a note due to-day, \$150.

29. Gave Greene & Co. a note at 20 da., to apply on account, \$200.

30. Paid John S. Potter, a clerk, cash, for his salary, \$40.

30. The Proprietor takes from the business cash, for the balance of his monthly salary, \$37.50.

10 - rent 50¢
.50 left
Inventories, April 30, 19—

Merchandise:

1210 lb. Tea at 35¢

\$423.50

750 lb. Coffee at 28¢

210.

\$633.50

Fuel:

Coal unused

21.

Office Supplies:

Supplies unused

7.50

NOTE. The notes receivable are always assets; the notes payable, liabilities.

CORRECTION OF ERRORS

The correction of errors in books of record is a matter of special importance. Even careful workers make occasional errors, but corrections can be made so that the neatness of the books and their legal value are not affected. When an error is made, consult the instructor before attempting to correct it. *Do not erase.*

If a journal entry is wrong, correct it as follows: draw a *red* line through the wrong name, and then write the correct name in black ink either above or at the right of the correction, thus:

Cash	102	50	
May Notes Receivable			102 50
Received check for note			
due to day			

If a journal entry is reversed, it may be corrected by writing, in red ink, *Cr.* after the debit item and *Dr.* after the credit item. Then post correctly.

Cash-cr.	176	20	
Notes Payable-Dr.			176 20
Note in favor of A.R.			
Perkins due to-day			

If it is found that a wrong amount has been entered in the ledger, correct it as follows:

1. Rule a *red* line through the wrong amount.
2. Write the correct amount in black ink above the amount canceled.

Cash			
19-		19-	
Sept. 1	1 5000 -	Sept. 2	1 450 -
5	1 750 -	9	1 580 -
			1 508 -

If an amount has been entered on the wrong side of the ledger, correct it as follows:

1. Draw a *red* line through the amount that is wrong.
2. Enter the correct amount in black ink on the proper side of the ledger.

Cash			
19-		19-	
May 1	1 5000 -	May 2	1 450 -
9	1 546 -	9	1 546 -

NOTE. Sometimes a correction may be made by a *counter entry* in the journal. To illustrate: Suppose one had made this entry, Notes Receivable, Dr., Cash, Cr., and it was a wrong entry. It may be canceled as follows: Cash, Dr., Notes Receivable, Cr. As the wrong entry is thus disposed of, the correct entry may now be made.

FORMS OF STATEMENT

The profit and loss statements and the balance sheet or financial statement are made in many different forms, depending on the character and the volume of the business, and the facts that are to be set forth.

In a business under the control of one proprietor very simple statements may answer every requirement. In a partnership, when a number of persons are interested, a more complete setting forth of the facts of the business is necessary. In a corporation, organized under the laws of the state or the nation, the statements must show the results and the condition according to the demands of the authority under which the corporation is organized. In cities where many departments require separate accounting, still another form of statement may be demanded to set forth the facts that public business requires to be made known.

Working Sheet. The form illustrated on the following page is called a working sheet. Sometimes it is referred to as a working balance sheet or as a six-column statement. This model gives in a condensed form the final results of the business.

The net profit for a given period, the total assets and liabilities, and the proprietary interest at a given period are the chief outstanding facts in this form of a working sheet.

The first two columns of the working sheet illustrated contain the trial-balance debits and credits respectively, the third and fourth columns are used to record the amounts necessary to determine the net profit or loss of the period, the fifth column contains the assets, and the last column contains the liabilities and proprietary interest of the business.

The working sheet well illustrates the relationship between the trial balance and the profit and loss statement and the balance sheet, since all the amounts appearing in the trial balance are distributed in one or more of the columns. The fact that closing inventories, those not given in the trial balance, must always be considered in making accurate statements applies with equal force to the compilation of a correct working sheet.

The working sheet should not be used as a finished statement to present to the Proprietor or creditor, but rather as a means of

obtaining rapidly all data necessary for making a correct profit and loss statement and an accurate balance sheet or financial statement.

Working Sheet, Jan. 31, 1917, F. S.

1 Cash	1803 24					1803 24	
1 Notes Receivable	696 87					696 87	
2 H. M. Dow	177 20					177 20	
2 J. C. Bush	210 —					210 —	
3 Mdse. Inventory					1245 70	1245 70	
3 Notes Payable		233 75					233 75
4 L. S. Martin		380 48					380 48
4 V. M. Gary		345 —					345 —
5 E. C. Mills, Prop.		3110 —					
6 Mdse. Sales		1872 13			1872 13		
6 Interest Earned		7 50			7 30		
7 Mdse. Purchases	2978 17			2978 17			
7 Salaries	22 75			22 75			
8 Fuel	50 —			30 —		20 —	
8 Interest Paid	10 43			10 43			
	<u>5948 66</u>	<u>5948 66</u>	<u>3041 35</u>	<u>3125 13</u>	<u>4153 01</u>	<u>959 23</u>	
E. C. M.'s Net Profit			83 78				
			<u>3125 13</u>	<u>3125 13</u>			
Proprietary Interest							
E. C. M.'s Investment		3110 —					
" " Profit		83 78					
" " Bus. Worth						3193 78	
					<u>4153 01</u>	<u>4153 01</u>	

A WORKING SHEET

CHAPTER II



SET I. RETAIL FUEL AND FEED BUSINESS

The *object* of this set is to illustrate in a practical manner one of the simplest forms of bookkeeping. In the preceding illustrative work the student has recorded all transactions and entries on sheets of journal paper and ledger paper, but now he is given a set of bound books, in which all records will be made.

The *books* used are the journal, the ledger, and the statement book. No business forms are handled, but different forms are illustrated, and entries are made directly from them.

Price List. The prices at which goods are to be bought and sold in this set are given in the following table:

PRICE LIST FOR JANUARY



ARTICLE	COST	SELLING PRICE
Grate Coal	\$7.10	\$8.25
Stove Coal	\$7.25	\$8.50
Nut Coal	\$7.20	\$8.50
Hay	\$12.50	\$16.50

Opening the Set. In working out this set the student should observe the following:

1. For the introductory memorandum, refer to the model journal on page 12. Follow this model carefully.

2. In this beginning work it is well for the student to journalize the transactions first on a sheet of journal paper; after correction, this work may be copied into the bound journal. The posting should be directly to the ledger.

3. A. M. Benton is represented as the proprietor.

4. Use the same explanatory forms as in the model journal (see page 12).

5. Take special pains in all writing, for legibility is most important in all work in bookkeeping.

6. Make neat, small figures.

MEMORANDA OF TRANSACTIONS FOR JANUARY

Jan. 1. A. M. Benton, Buffalo, N.Y., began the Retail Fuel and Feed business, investing cash, \$2750.

2. Paid Edward N. Shaw cash, for rent of the store for January, \$30.

3. Bought office supplies as per the following bill:

Buffalo, N. Y., Jan. 3, 19—

M. A. M. Benton

26 Main St., City

To E. L. Martin & Co. Dr.

Terms Cash

1000 Billheads	2 —		
1 qt. Writing Fluid	75		
Ledgers 4 ⁰⁰ ; Journal 3 ⁰⁰	7 50		
Statement Book	1 —	11	25
Received payt.			
E. L. Martin & Co.			
per D.			

Debit *Office Supplies* for the above bill.

A detailed statement of goods bought or sold is called either a *bill* or an *invoice*.

A detailed statement of goods bought to be used or consumed, or a statement of services rendered, is usually called a *bill*.

Thus, a physician's statement of services rendered, and the charges for the same, is called a *bill*; a statement of a quantity of silk bought or sold by a merchant is called either a *bill* or an *invoice*.

2 4. Bought of Allen & Parker for cash:

50 T. Grate Coal 355.
40 T. Stove Coal 290,

35 T. Nut Coal 252.
20 T. Hay 250
1147.

5. Sold John S. Adams for cash:

10 T. Grate Coal

5 T. Hay 145-

6. Sold A. M. Paterson on account:

15 T. Stove Coal

10 T. Nut Coal 212.50

Jan. 8. Sold John S. King for cash:

5 T. Grate Coal

5 T. Hay

123.75

9. Sold Charles M. Gray on account:

10 T. Stove Coal

10 T. Hay

250.00

11. Bought of Henry A. Stevens on account:

15 T. Stove Coal

15 T. Hay

296.25

12. Received cash as shown by the following check:

Buffalo, N.Y., Jan. 12, 19— No. 14

Traders National Bank

Pay to the order of A. M. Benton \$ 125.00

One hundred twenty-five ⁰⁰/₁₀₀ Dollars

A. M. Paterson

A check is an order on a bank by a depositor for the payment of money.

13. Received the following note to apply on account:

\$ 110.00

Buffalo, N.Y., Jan. 13, 19—

Ten days after date I promise to pay to

the order of A. M. Benton

One hundred ten ⁰⁰/₁₀₀ Dollars

at his office, without interest

Value received

No. 10 Due. 1/23/19—

Charles M. Gray

15. Gave Henry A. Stevens a note at 10 da., to apply on account, \$150.

16. Bought of Johnson & Main for cash:

5 T. Nut Coal

18. Gave the Monroe Typewriter Exchange cash for the following:

1 Typewriter, \$50

1 Office Desk, \$25

Debit Office Furniture for the amount of this bill.

19. Received of A. M. Paterson his check for the balance of the invoice sold him on Jan. 6, \$87.50.

9. Jan. 20. Received of Charles M. Gray cash, to apply on account, \$75.

20. Sold James W. Traver on account:

20 T. Grate Coal

12 T. Nut Coal

267

22. Bought of Lane & Son merchandise as follows:

<u>Buffalo, N. Y., Jan. 22, 19—</u>					
<u>Mr. A. M. Benton</u>					
<u>26 Main St., City.</u>					
<u>To Lane & Son</u>				<u>Dr.</u>	
<u>Terms On account</u>					
20	T. Hay	12 ⁵⁰	250	—	
10	T. Grate Coal	7 ¹⁰	71	—	321 —

23. Received of Charles M. Gray cash, for his note which is due to-day, \$110.

24. Received of James W. Traver his check, to apply on account, \$100.

25. Gave Henry A. Stevens cash, for a note which fell due to-day, \$150.

26. Sold A. M. Paterson on account:

5 T. Hay

5 T. Grate Coal

123.75

27. Gave Henry A. Stevens cash, to apply on account, \$50.

29. Gave Lane & Son a note at 30 da., to apply on account, \$135.

31. Paid Student cash, for services to date, \$20.

Debit Salaries.

31. The Proprietor takes from the business cash, for his monthly salary, \$50.

Pass the journal sheet to the instructor for correction and criticism; then copy carefully into the bound journal.

Inventories. Record the inventories on a sheet of journal paper. Keep this sheet for future reference.

Inventories, January 31, 19—

Merchandise :

20 T. Grate Coal at \$7.10	\$142.	
30 T. Stove Coal at \$7.25	217.50	
18 T. Nut Coal at \$7.20	129.60	
30 T. Hay at \$12.50	375.	\$864.10

Office Furniture :

Typewriter, at cost	\$50	
Office Desk, at cost	25	\$75

Office Supplies :

Unused supplies		\$5
-----------------	--	-----

NOTE. The student may verify the merchandise inventory.

Closing the Set. Open accounts in the ledger, four accounts on each page, in the following order :

Cash	A. M. Benton, Prop.
Notes Receivable	Profit and Loss
Accounts Receivable ¹	Sundry Expense Inventory ²
A. M. Paterson	Merchandise Sales
Charles M. Gray	Merchandise Purchases
James W. Traver	Rent Paid
Merchandise Inventory ²	Office Supplies
Office Furniture	Salaries
Notes Payable	
Accounts Payable ³	
Lane & Son	
Henry A. Stevens	

NOTE. The accounts are opened in this order to facilitate the making of the statements.

After posting, foot the accounts having more than one item, in pencil, making very small figures.

Take a trial balance of the ledger, omitting all accounts that balance : record it in Blank No. 1, on the page indicated by the index.

¹ *Accounts Receivable* are the personal accounts that show the amounts owed to the business. Do not write *Accounts Receivable* in the ledger. These are the personal accounts in which the debit side is the larger.

² These accounts will be used when the ledger is closed. *Sundry Expense Inventory* applies to all expense accounts in which inventories are found, at the end of a given period.

³ *Accounts Payable* are the personal accounts that show the amounts owed by the business. Do not write *Accounts Payable* in the ledger. These are the personal accounts in which the credit side is the larger. The *Proprietor's* account is not included.

Make the profit and loss statement showing the net profit.

Make the balance sheet or financial statement showing the present worth, or proprietary interest.

Record the statements in Blank No. 1; on the page indicated by the index.

Make the necessary journal entries and postings to close the ledger.

Balance the *Cash* account.

Take a trial balance of the ledger.

Present all books to the instructor for approval.

Exercise 28. Review

For Written Work

I. JOURNALIZING

Journalize orally or in writing each of the following transactions, and state the reason for each debit and each credit named:

1. *Student* begins business with the following investment: cash, \$1500; merchandise, \$1350.

When several asset items represent the Proprietor's investment, each item is debited under its appropriate name, and the Proprietor is credited for the total.

The following is the correct entry for problem 1:

Cash	1500	
Mdse. Inventory	1350	
Student, Prop.		2850
Investment at the beginning of business.		

The above is a compound entry; it may consist of any of the following: several debits and one credit; one debit and several credits; several debits and several credits.

A *simple entry* consists of one debit and one credit.

2. Edward M. Burke began business with the following investment: cash, \$650; merchandise, \$1152; A. J. Wilson's note, \$675.

3. Adam H. Ross began business with the following assets: cash, \$625; merchandise, \$1450; R. M. Herring's note, \$375; coal on hand for use in heating the store, \$42.

4. Lincoln & Son began business with the following assets: cash, \$875; account against Robinson & Co., \$285; merchandise, \$1155; J. R. Kent's note, \$450; coal on hand for use in heating the store, \$35.

5. *Student* begins business with the following assets: cash, \$1100; merchandise, \$1360; George Manning's note, \$350; account against Price & Co., \$235.

6. Gave Warren & Son your note at 30 da., to apply on account, \$250.

7. Gave Martin V. Atkins your note at 60 da., with interest, to apply on account, \$375.

No entry is made for the interest until the note is paid.

8. Received of Henry A. Cole his note at 20 da., with interest, to apply on account, \$310.

9. Received of Lane & Lyman their note at 30 da., with interest, to apply on account, \$215.

10. Received of Thomas & Co. cash for their note and the interest: face of the note, \$400; interest, \$12.

The following is the correct entry for problem 10:

Cash	412	
Notes Receivable		400
Interest Earned		12
For the note of Thomas & Co. and the interest.		

When money is borrowed we pay for the use of it, and we debit *Interest Paid* for the sum paid; when money is loaned by us we receive pay for the use of it, and we credit *Interest Earned* for the sum received.

When the statement is made that we *pay interest*, we really mean that we *pay cash* for the interest, or for the use of money.

11. Paid your note and the interest in cash, in favor of James S. Manner: face of the note, \$255; interest, \$10.

The following is the correct entry for problem 11.

Notes Payable	255	
Interest Paid	10	
Cash		265
Paid James S. Manner for my note and the interest.		

12. Received of H. H. Marden cash, for his note, \$212.50.

13. Received of Henry N. Monroe cash, for his note and the interest: face of the note, \$300; interest, \$3.

14. Paid your note and the interest in cash, in favor of Bronson & Co.: face of the note, \$250; interest, \$5.

15. Paid your note in favor of Jenkins & Son in cash, \$400.

16. Received a check from A. D. Franklin for his note, \$200.

17. Paid your note in favor of H. C. Pomeroy in cash, \$125.

18. Received a check from Lewis & Son for their note and the interest: face of the note, \$325; interest, \$6.50.

19. Paid your note and the interest in cash, in favor of A. D. Matthews: face of the note, \$225; interest, \$9.

20. Gave M. A. Grant your note at 30 da., with interest, to apply on account, \$425.

21. Received of David S. Malloy his note at 60 da., with interest, to apply on account, \$385.20.

II. STATEMENTS

Directions. Make the statements from the following trial balances, observing these directions:

1. *Office Furniture* is an asset, and in these exercises should be taken at the values shown in the trial balances.

2. *Interest Paid* always shows a loss.

3. *Interest Earned* always shows a profit.

4. Date each statement Feb. 28, 19—.

1.

Cash	\$2443.	
Notes Receivable	347.50	
Mason & Ferris	400.	
H. A. Barker	50.20	
Henry & Son	500.	
Riggs & Co.	210.	
Sanford & Co.	312.40	
John M. Grace	150.75	
Office Furniture	110.	
Notes Payable		\$177.
J. K. Luce		108.
D. A. Ward		120.
Ames & Co.		43.60
Charles S. Beard		147.25
Kane & Co.		123.75
Moore & Co.		109.
<i>Student, Prop.</i>		4500.
Mdse. Sales		390.50
Interest Earned		10.75
Mdse. Purchases	1142.50	
Salary	50.	
Interest Paid	13.50	
	<u>\$5729.85</u>	<u>\$5729.85</u>

Inventories, Feb. 28:

Merchandise	\$943.25
Office Furniture	110.

2.

Cash	\$1143.35	
Notes Receivable	465.	
A. K. Williams	133.40	
Parson & Co.	175.80	
John S. Arden	341.15	
Office Furniture	100.	
Notes Payable		\$100.
Race & Hunter		143.25
S. A. Alden		65.20
George M. Lee, Prop.		1250.
H. K. Paine, Prop.		1250.
Mdse. Sales		1637.50
Interest Earned		21.10
Mdse. Purchases	2053.70	
Office Supplies	17.50	
Salary	30.	
Interest Paid	7.15	
	<u>\$4467.05</u>	<u>\$4467.05</u>

Inventories, Feb. 28:

Merchandise	\$701.20
Office Furniture	100.
Office Supplies	12.

III. CLOSING THE LEDGER

Directions. *a.* On a sheet of ledger paper copy the following accounts, allowing eight lines for each account:

I

Student, PROPRIETOR

					19— Jan.	1		2	2400	
--	--	--	--	--	-------------	---	--	---	------	--

MERCHANDISE SALES

					19— Jan.	11		2	414	35
						19		3	231	40
						24		4	142	
						29		5	341	25

MERCHANDISE PURCHASES

19— Jan.	6	2	525	50				
	15	3	365	25				
	22	4	297	10				
	26	5	252	40				

SALARIES

[illegible]

OFFICE SUPPLIES

[illegible]

Inventories, Jan. 31 :

Merchandise	\$621.45
Office Supplies	11.20

II

A. R. THOMAS, PROPRIETOR

						19- Feb.	1			2	2250
--	--	--	--	--	--	-------------	---	--	--	---	------

MERCHANDISE SALES

							19— Feb.	13		1	235	20
								20		2	443	30
								25		3	511	45
								27		4	364	20

INTEREST EARNED¹

					19— Feb.	10 25			7 8	10 9	20 45
--	--	--	--	--	-------------	----------	--	--	--------	---------	----------

• MERCHANDISE PURCHASES

19— Feb.	10 17 23 26		1 2 3 4	312 641 704 140	55 05 65						
-------------	----------------------	--	------------------	--------------------------	----------------	--	--	--	--	--	--

SALARIES

19— Feb.	15 28		3 4	30 50							
-------------	----------	--	--------	----------	--	--	--	--	--	--	--

INTEREST PAID

19— Feb.	11 23		2 3	7 11	70 25						
-------------	----------	--	--------	---------	----------	--	--	--	--	--	--

Inventory, Feb. 28 :

Merchandise

\$572.10

b. Open the following accounts: *Profit and Loss* and *Merchandise Inventory*.

c. Make the necessary entries and postings to close the above ledger.

¹ The closing journal entry for accounts which show profits, other than on the merchandise sold, may be illustrated from an *Interest Earned* account which shows a credit of \$5. The following entry would be made to close this account into the *Profit and Loss* account :

Interest Earned

Profit and Loss

To close the *Interest Earned* account into the *Profit and Loss* account.

5											
										5	

What entry should be made to close the *Interest Paid* account ?

Exercise 29. Bookkeeping Problems

SUGGESTION. The following problems may be used either for oral or for written work; they also offer material for profitable discussion.

1. In Set B, verify the inventory which is given on page 26. How may one determine the value of the inventory?

2. On page 28 is a ledger account with M. M. Pond. Study this account and then answer the question, Was this account opened with Mr. Pond as a debtor or as a creditor?

3. On page 28 is a ledger account with D. A. Zook. Study this account and then answer the question, Was this account opened with Mr. Zook as a debtor or as a creditor?

4. On page 35 there are four trial balances. State what each debit amount stands for and what each credit amount stands for.

5. Give the reason for each debit and each credit in the transactions on page 54, Set D. Name the proper explanation for each entry.

6. Turn to your written ledger for Set I and quickly name the persons or firms of whom the proprietor bought goods, and the persons or firms to whom he sold goods.

7. In your ledger for Set I, name the following, relating to personal accounts:

a. The names of the accounts on which the business owes something.

b. The names of the accounts on which something is owed to the business.

c. The names of the accounts that have been paid in full.

d. The names of the accounts on which something has been paid on account.

e. The names of the accounts on which something has been received on account.

8. On page 65, state, in each transaction, when the word *interest* is used, whether it means *interest paid* or *interest earned*.

9. Give the name of the note on which interest is paid; the name of the note on which interest is received.

10. On pages 66 and 67 there are trial balances. State what each debit amount stands for and what each credit amount stands for.

CHAPTER III

INTRODUCTION OF THE CASHBOOK

In all the preceding work, in this text, it has been seen that every transaction of a business may be first recorded in a book called the *journal*.

The journal entry is undoubtedly the clearest and the most definite form of expressing the debits and the credits of business transactions: for this reason all the preceding work has been journalized.

In business it is more convenient, simple, and effective to classify the transactions as they occur; this is effected by using one or more books in addition to the journal.

In the next set the *cashbook* will be introduced, a model of which is given on pages 72 and 73.

The cashbook contains a record of all the receipts and the payments of cash in a given business. It is the detailed *Cash* account of the business.

The left-hand page contains a record of all the cash debits, the receipts, the names of the accounts to be credited, and a brief explanatory statement.

The right-hand page contains a record of all the cash credits, the payments, the names of the accounts to be debited, and a brief explanatory statement.

The difference between the two sides of the cashbook should show the amount, *balance*, of cash on hand.

In the next set all cash items will be entered in the cashbook, all the other transactions will be journalized as usual. Both the cashbook and the journal will be used as books of original entry.

On pages 72 and 73 is a script cashbook; the entries are from transactions similar to those in Exercise 30. Turn to these pages and note the cashbook entries.

As a preliminary drill it will be found helpful to study the journalizing of each cash transaction that has been entered in the script cashbook, as shown on page 72.

Cashbook entries, like journal entries, are all classified debits and credits.

If the cash receipts, from the model cashbook, and the cash payments were put in journal form, there would be two compound journal entries as follows:

Cash	\$1758.20	Rent Paid	\$22.50
Student	\$1400.	H. C. Beard	321.
A. D. Marks	112.40	Fuel	36.
Anna Carr	18.50	Office Supplies	10.20
T. M. Kellar	117.30	Salary	15.
C. D. Acres	110.	Boone & Co.	170.
		Lake & Co.	130.
		Cash	\$704.70

The *first* record of a business transaction reveals the debit and the credit, no matter in what book the transaction may be recorded.

Exercise 30. The Cashbook

For Written Work

Opening the Cashbook. Observe the following directions:

1. Use a double sheet of journal paper, four pages; make the entries on pages 2 and 3.
2. This work is not to be recorded in the bound blank books.
3. *Student* is represented as the proprietor.

Below is given a script cashbook, complete in every detail. Refer to this model in recording the transactions on opposite page.

Cash Received

Jan. 1	Student Investment	1400	—		
4	A. D. Marks Invoice of 1/4	112	40		
6	Anna Carr Invoice of 1/6	18	50		
9	T. M. Kellar Invoice of 1/9	117	30		
15	C. D. Acres Invoice of 1/15	110	—		
31	Cash, Dr. Total for mo.			1758	20
				1758	20
Feb. 1	Balance On hand			1053	50

MEMORANDA OF TRANSACTIONS

Jan. 1. Student begins a General Merchandise business, investing cash, \$1600.

2. Pay Owen Howe cash, for rent of the store for January, \$27.50.

3. Buy of Larkin & Co., for cash, merchandise amounting to \$437.50.

4. Sell Amos Drake, for cash, merchandise amounting to \$86.45.

5. Pay Henry Stanton cash for 6 T. coal, for use in heating the store, at \$7.50.

6. Sell Mary F. Jacobs, for cash, merchandise amounting to \$12.40.

8. Buy of Carson & Co., for cash, stationery and office supplies, \$3.25.

9. Sell Jacob T. Merton, for cash, merchandise amounting to \$52.25.

10. Pay Melvin Stone, your clerk, cash, on his salary, \$10.

12. Buy of Parker & Sanford, for cash, merchandise amounting to \$210.

15. *Student* takes from the business cash, to apply on his monthly salary, \$25.

17. Sell Jesse R. Wheaton, for cash, merchandise amounting to \$46.25.

20. Sell Mason & Co., for cash, merchandise amounting to \$65.40.

26. Sell Loomis & Son, for cash, merchandise amounting to \$28.10.

30. Pay Melvin Stone cash, for the balance of his monthly salary, \$15.

31. *Student* takes from the business cash, for the balance of his monthly salary, \$25.

Cash Paid

¹⁹ -Jan	2	Rent Paid	For 1 mo. Jan.	22	50
	3	N.C. Beard	Invoice of '13	32	—
	5	Fuel	5 T. coal at 7 ²²	36	—
	8	Office Supplies Books & stationery		10	25
	10	Salary	Henry Johnson	15	—
	12	Boone & Co.	Invoice of '12	175	—
	13	Lake & Co.	Invoice of '13	12	—
	31	Cash, Cr.	Total for mo.		7247-
	31	Balance	On hand		1253 50
					1758 50

Closing the Cashbook. Proceed to close the work as follows:

1. Balance the cashbook; follow the script model.

NOTE. Under *Cash Paid* the line which records the *Balance* may be written in red ink.

2. Post the cashbook; use one sheet of ledger paper, two pages; allow ten lines for each account.

The amounts on the debit side, cash received, should be posted to the credit of the ledger accounts named; debit the *Cash* account for the total amount of the cash received.

The amounts on the credit side, cash paid, should be posted to the debit of the accounts named; credit the *Cash* account for the total amount of the cash paid out.

Write *C.B.* in the explanation column of the ledger; this indicates the name of the book from which the posting was done.

3. Take a trial balance and have it approved.
4. Pass all work to the instructor.

CHAPTER IV

-SET II, WHOLESALE CARPET BUSINESS

This set is separate from Set I, but the character of the work is similar. The books used are the journal, the cashbook, and the ledger.

Price List. The prices at which merchandise is to be sold in this set are given in the following table:

SELLING PRICE LIST FOR FEBRUARY

Axminster	Brussels	Ingrain	Linoleum	Oilcloth	Wilton
\$2.50	\$1.35	75¢	60¢	30¢	\$2.65

Opening the Set. Observe the following directions:

1. This is the first set written by the student when using the cashbook. If the instructor approves, the set may be first written on a double sheet of journal paper, as follows: pages 1 and 4, the journal; pages 2 and 3, the cashbook.
2. After the entries are finished, close the cashbook, and then have the work approved by the instructor.
3. James R. Denison is represented as the proprietor.

MEMORANDA OF TRANSACTIONS FOR FEBRUARY

Feb. 1. James R. Denison, Boston, Mass., began the Wholesale Carpet business with the following assets: cash, \$500; merchandise on hand, \$2595.50; office furniture, \$200; coal for heating the store, \$15; the following note:

<u>\$ 300⁰⁰</u>	<u>Boston, Mass., Feb. 1, 19--</u>
<u>Ten days</u>	after date <u>I</u> promise to pay to
the order of <u>James R. Denison</u>	
<u>Three hundred ⁰⁰/₁₀₀</u>	Dollars
at <u>his offices, with interest at 6%</u>	
Value received	
No. <u>17</u> Due <u>2/11/19-</u>	<u>Ernest B. Jackson</u>

In opening the books these assets are journalized as follows :

February 1, 19—

James R. Denison began the Wholesale Carpet business with the following assets :									
Feb.	1	✓	Cash	500					
			Notes Receivable	300					
			Mdse. Inventory	2595	50				
			Office Furniture	200					
			Fuel	15					
			James R. Denison. Investment				3610	50	

The cash item of \$500 should be entered under *Cash Received*, in the cashbook, as follows :

Cash Received

Feb.	1	✓	James R. Denison	Investment	500				
------	---	---	------------------	------------	-----	--	--	--	--

The checking of an item, as above, is a simple means of noting that it is not to be posted.

Feb. 2. Paid Lee & Crane cash for the following items: stationery, \$4.50; office books, \$3.50. 8.00

3. Paid George R. Daniels cash, for rent of the store for February, \$75.

4. Bought of W. B. Mason & Co., Philadelphia, on account, invoice of carpets amounting to \$572.50.

5. Bought of A. R. Prescott & Co., New York, on account, invoice of carpets amounting to \$612.95.

6. Sold W. F. Pratt, Springfield, on account :

200 yd. Brussels 150 yd. Ingrain
100 yd Axminster

6. Sold James R. Holcomb, City, for cash :

100 yd. Oilcloth 40 yd. Axminster 130.

9. Sold John W. King, City, on account :

40 yd. Oilcloth 16 yd. Linoleum 102.60
60 yd. Brussels

9. Sold M. F. Newbury, Providence, on account :

100 yd. Wilton 120 yd. Axminster

10. Remitted to A. R. Prescott & Co. a note at 10 da., with interest at 6%, in full for the invoice of Feb. 5.

✓ *Feb. 11.* Received of Ernest B. Jackson cash for his note and interest due to-day: face of note, \$300; interest, 50¢; total, \$300.50.

There are two entries under *Cash Received*, in the cashbook. What names are to be used?

✓ *12.* Received of W. F. Pratt his note at 10 da., with interest at 6%, \$250, and the balance of the invoice of *Feb. 6* in cash.

Enter the amount of the note in the journal, and enter to the proper account in the cashbook the difference between the amount of the note and the invoice of *Feb. 6*.

✓ *13.* Sold George S. Rollins, City, for cash:

100 yd. Brussels

100 yd. Linoleum

Enter this sale in the journal; also in the cashbook under *George S. Rollins*.

✓ *15.* Bought of A. R. Prescott & Co., New York, on account, invoice of carpets amounting to \$172.50.

✓ *16.* Sold W. F. Pratt, Springfield, on account:

40 yd. Ingrain

65 yd. Brussels

100 yd. Axminster

✓ *20.* The First National Bank presented for payment the note in favor of A. R. Prescott & Co., due to-day. Paid the note and interest in cash: face of the note, \$612.95; interest, \$1.02; total, \$613.97.

There are two entries in the cashbook. What names are to be used?

✓ *20.* Sold John A. Newton, City, for cash:

70 yd. Wilton

✓ *22.* Received of W. F. Pratt cash for his note and interest due to-day: face of the note, \$250; interest, 42¢; total, \$250.42.

✓ *22.* Bought of C. W. Allen & Co., City, for cash, an invoice of carpets amounting to \$410.50.

Enter in the journal and in the cashbook.

23. Received the following check, to apply on account:

Boston, Mass., Feb. 23, 19 — No. 16

Traders National Bank

Pay to the order of James R. Denison — \$300.00

Three hundred 00/100 ————— Dollars

M. F. Newbury

Under what name is this check entered?

As checks are used so commonly in business, a careful study of this form is commended.

Feb. 25. Sold John W. King, City, the following (received cash, \$65; balance on account):

50 yd. Ingrain	37.50	100 yd. Axminster
----------------	-------	-------------------

Enter the whole invoice in the journal; under *Cash Received*, in the cashbook, enter the \$65, under *John W. King*.

26. Received of John W. King his note at 30 da., with interest at 6%, for the amount of the invoice of *Feb. 9*.

26. Remitted to W. B. Mason & Co. a note at 30 da., with interest at 6%, in full for the invoice of *Feb. 4*.

27. Sold Lewis & Parsons, City, for cash:

200 yd. Ingrain	50 yd. Linoleum
100 yd. Oilcloth	

27. Paid *Student*, for services to date, \$40; paid A. M. Olcott, for services to date, \$30.

27. The Proprietor takes cash from the business for his monthly salary, \$125.

Balancing the Cashbook. Balance the cashbook according to the script model on pages 72 and 73.

Pass all work to the instructor for approval.

All work is to be recorded in the blank books on the pages indicated for Set II, in Blank No. 1.

Inventories. The following inventories are to be used in this set:

Inventories, February 28, 19—

Merchandise:

Per schedule prepared by Denison	\$2214.92
----------------------------------	-----------

Office Furniture	200.
------------------	------

Closing the Set. Open accounts in the ledger, four accounts on each page, in the following order, beginning on the page indicated by the index:

NOTE. On page 63 a note states that the order of accounts to be followed in opening the ledger was so arranged as to facilitate the making of the statements. It should be noticed that each of the various groups of accounts follow in order, and if they are properly entered, it is unnecessary to turn all the pages of the ledger in order to know that all the accounts of a group have been included in the appropriate statement.

Cash	Accounts Payable ¹
Notes Receivable	A. R. Prescott & Co.
Accounts Receivable ¹	W. B. Mason & Co.
W. F. Pratt	C. W. Allen & Co.
John W. King	James R. Denison, Prop.
M. E. Newbury	Profit and Loss
James R. Holcomb	Merchandise Sales
George S. Rollins	Interest Earned
John A. Newton	Merchandise Purchases
Lewis & Parsons	Rent Paid
Merchandise Inventory	Office Supplies
Office Furniture	Fuel
Notes Payable	Salaries
	Interest Paid

Foot the accounts in pencil.

Take a trial balance; omit all accounts that balance. After approval, record it in Blank No. 1, on the page indicated by the index.

Make the profit and loss statement showing the net profit.

Make the balance sheet or financial statement showing the present worth, or proprietary interest.

Record the statements in Blank No. 1, on the page indicated by the index.

Make the necessary entries and postings to close the ledger.

In this set there is a merchandise inventory at the beginning, \$2595.50, and it is necessary to transfer this amount to the *Merchandise Purchases* account before the other closing journal entries are made.

The *Merchandise Inventory* account, as here given, represents the merchandise that was purchased and on hand before the business of the month of February was undertaken; hence it must be transferred to the *Merchandise Purchases* account in order that that account may show *all* the merchandise for the month from which the sales were made, otherwise the correct profit on the merchandise sold could not be found when the books were closed.

The following is the entry:

Merchandise Purchases	2595	50		
Merchandise Inventory			2595	50
To transfer the inventory of Feb. 1 to the <i>Merchandise Purchases</i> account.				

After posting the entry, rule the *Merchandise Inventory* account.

Balance the *Cash* account.

Take a trial balance of your ledger.

Present all books to the instructor for approval.

¹ Remember, do not write *Accounts Receivable* nor *Accounts Payable* in your ledger.

Exercise 31. Review

For Written Work

I STATEMENTS

Make the statements from the following trial balances. Date each statement March 31, 19—.

1.

Cash	\$661.75	
Notes Receivable	125.	
James A. Hardin	365.	
Martin & Son	235.20	
Mdse. Inventory	920.	
Notes Payable		\$325.
Frederic & Co.		286.50
Lyman A. Grant		67.40
<i>Student, Prop.</i>		2450.
Mdse. Sales		1827.40
Interest Earned		13.75
Mdse. Purchases	2554.75	
Salaries	100.	
Interest Paid	8.35	
	<u>\$4970.05</u>	<u>\$4970.05</u>

Inventory, March 31 :

Merchandise	\$1926.50
-------------	-----------

2.

Cash	\$1364.35	
Henry Johnson	238.20	
Henry T. James	107.75	
Mdse. Inventory	1000.	
Office Furniture	135.	
Notes Payable		\$411.45
H. H. Weston		320.
H. M. Reed		298.40
Morris & Son		205.
Geo. S. Masten, Prop.		2250.
Mdse. Sales		2400.60
Interest Earned		13.50
Mdse. Purchases	2975.50	
Salary	50.	
Interest Paid	28.15	
	<u>\$5898.95</u>	<u>\$5898.95</u>

Inventories, March 31 :

Merchandise	\$1826.50
Office Furniture	135.

II. CLOSING THE LEDGER

Directions. On a sheet of ledger paper copy the following accounts, allowing eight lines for each account:

1

Student, PROPRIETOR

						19— Mar.	1		1	2500	
--	--	--	--	--	--	-------------	---	--	---	------	--

MERCHANDISE SALES

						19— Mar.	9		1	582	20
							16		2	359	40
							23		4	157	80
							29		4	108	25

INTEREST EARNED

						19— Mar.	17		6	10	30
							24		6	5	85

MERCHANDISE PURCHASES

19— Mar.	4		1	347	65						
	13		2	247	80						
	19		2	475	10						
	26		3	512							

OFFICE SUPPLIES

19— Mar.	3		3	12	45						
	15		4	8	75						
	30		5	6	40						

JAMES H. CONWAY, PROPRIETOR

						19— Apr. 1			1	3150	
--	--	--	--	--	--	---------------	--	--	---	------	--

MERCHANDISE SALES

						19— Apr. 9			3	978	45
						13			4	671	50
						22			4	572	90
						26			5	110	25

INTEREST EARNED

						19— Apr. 17			4	9	60
						25			5	16	25

MERCHANDISE PURCHASES

19— Apr.	4			3	758	30					
	11			4	862	55					
	17			5	265	75					
	24			5	488	30					

OFFICE SUPPLIES

19— Apr.	10			3	15	35					
	24			5	9	85					

RENT PAID

19- Apr.	3		4	42							
-------------	---	--	---	----	--	--	--	--	--	--	--

SALARIES

[illegible]

INTEREST PAID

19— Apr.	12		3	10	70						
	15		3	8	75						
	23		4	3	60						

Inventories, April 30:

Merchandise	\$1120.70
Office Supplies	9.50

- a. Open the following accounts: *Profit and Loss* and *Sundry Expense Inventory*.
- b. Make the necessary entries and postings to close the above ledger.

III. JOURNALIZING

Journalize orally or in writing each of the following transactions, and state the reason for each debit and each credit named.

1. You began business by investing cash, \$1275; merchandise, \$925; real estate, \$1800.
2. Richard J. Dobbin began business with the following assets: merchandise, \$865; cash, \$775; account against Geo. S. Handy, \$235; Leon H. Parker's note, \$450; real estate, \$825.
3. Henry L. Thomas gave you his note at 60 da., with interest, to apply on account, \$400.

4. You gave W. H. Acker your note at 30 da., with interest, to apply on account, \$250.
5. Bought merchandise of Gross & Co. amounting to \$720. Gave them cash for one half the invoice; balance on account.
6. Sold James S. Marble merchandise amounting to \$550. Received his check for one half the invoice; balance on account.
7. Paid your note in favor of Markham & Co. in cash, \$325.
8. Received a check from Henry A. Nolan for his note, \$100.
9. You gave Canton & Co. cash for your note and the interest: face of the note, \$245; interest, \$4.90.
10. Received a check from J. K. Allis for his note and the interest: face of the note, \$515; interest, \$10.30.
11. You, the proprietor, take cash from the business, to apply on your monthly salary, \$60.
12. Borrowed from the First National Bank cash, \$200; gave them your note at 30 da.
13. Loaned David R. Best cash, \$160, and received his note at 60 da.
14. Paid Harding & Baker cash, for the interest on your note, \$15.
15. Received of John S. Durkin cash, for the interest on his note, \$20.

CHAPTER V

ADDITIONAL BOOKS USED

The student has already used the journal and the cashbook in which entries were first made, and then postings have been made to the ledger. In subsequent sets the purchase book and the sales book are to be used as books of original entry; that is, books in which entries are *first* made.

Purchase Book. The *purchase book* contains, usually, an abstract of all bills of merchandise bought. At regular intervals the book is footed, ruled, and posted.

The script purchase book is illustrated on page 89.

Sales Book. The *sales book* contains a record of all sales on account, and usually of all cash sales, except small retail sales for which no bills are rendered. In this text all sales are entered in the sales book. The records consist of the names and the addresses of the purchasers, the terms, the items, the prices, and the amounts of goods sold. At regular intervals the book is footed, ruled, and posted.

The script sales book is illustrated on pages 90 and 91.

When the cashbook, the purchase book, and the sales book are used, only such transactions as do not affect these books are entered in the journal.

It will be found helpful, as a preliminary drill, to journalize each purchase or each sale on the blackboard, and then note the corresponding entry in the purchase book or the sales book.

ILLUSTRATION. All the entries in the purchase book might be written as a compound journal entry, as follows:

Mdse. Purchases	600	
John Adams		120
Wm. A. Smith		180
D. S. Jones		200
Asa M. Martin		100

ILLUSTRATION. All entries in the sales book might be written as a compound journal entry, as follows:

R. H. Downey	150	
Leon J. King	125	
Benj. L. Ransom	75	
Mdse. Sales		350

The receipts and the payments of cash, the purchases, and the sales constitute the leading entries and records in bookkeeping, and the keeping of separate books for each results in these advantages:

1. Information is more readily obtained if the cash, the purchases, and the sales are each grouped in separate books.
2. The balance of cash may be readily found at any time.
3. The individual and collective purchases may be referred to at once, for all the purchases are in one book.
4. The individual and collective sales may be referred to at once, for all the sales are in one book.
5. Much time is saved in posting, as the *totals* of cash, of purchases, and of sales are posted to the ledger.

SET E. FLOUR AND GRAIN

MODEL SET

On pages 89-93 is a model set in script, in which the journal, the cashbook, the purchase book, and the sales book have been used, and posted to the ledger. This set was written from the following Memoranda of Transactions, but different prices were used in some instances.

Opening the Set. Write the set from the Memoranda of Transactions following. If necessary, be guided by reference to the *model script set*.

1. Use a double sheet of journal paper (four pages) and a sheet of ledger paper (two pages).
2. On the upper half of page 1 of the journal sheet write the *journal*, and on the lower half, the *purchase book*; on pages 2 and 3, the *cashbook*; on page 4, the *sales book*. On the unused portion of page 3 write the *trial balance*.
3. This set is not to be recorded in the bound blank books.
4. The entries will be the same as in the script models, but the amounts will differ in some of the transactions.
5. A. B. Coates is represented as the proprietor.

MEMORANDA OF TRANSACTIONS

March 1. A. B. Coates, 728 Market St., Chicago, Ill., began the Grain and Produce business, investing cash, \$1500.

Make a memorandum in the *journal*, but the entry for the cash invested is to be made in the *cashbook*.

7. Paid H. C. Inman cash, for rent of the store for March, \$75.
1. Paid Resor & Co. cash, for office books and supplies. \$12.50.

March 2. Bought of Rowen & Co., Minneapolis, on account, 30 da.:

400 bbl. Flour at \$5.20

3. Bought of Wesley & Son, City, for cash:

600 bu. Wheat at \$1

4. Bought of Rising & Co., for cash, 4 T. coal, for heating the store, at \$6.40.

5. Sold E. M. Ferris, Buffalo, on account, 20 da.:

150 bbl. Flour at \$6.50 150 bu. Wheat at \$1.25

9. Bought of Rowen & Co., Minneapolis, on account, 30 da.:

800 bu. Oats at 48¢

10. Sold Jas. R. Mahoney, City, on account, 20 da.:

100 bu. Wheat at \$1.25

11. Sold E. D. Messer, City, for cash:

50 bbl. Flour at \$6.50 200 bu. Oats at 60¢

15. Sold E. M. Ferris, Buffalo, on account, 20 da.:

300 bu. Oats at 60¢ 150 bu. Wheat at \$1.25

20. Sold A. W. Carson, City, for cash:

100 bbl. Flour at \$6.50 150 bu. Oats at 60¢

23. Bought of A. A. Dunton, City, on account, 3 da.:

500 bu. Wheat at \$1

25. Received of E. M. Ferris his check in full for the invoice of *March 5.*

A check is treated as cash; record the amount under *Cash Received.*

26. Paid A. A. Dunton cash in full for the invoice of *March 23.*

27. Sent Rowen & Co. a note at 20 da., with interest, in full for the invoice of *March 2.*

30. Received of Jas. R. Mahoney cash in full for the invoice of *March 10.*

31. Paid the bookkeeper, C. K. Price, his monthly salary in cash, \$50.

31. The Proprietor takes from the business cash, for his monthly salary, \$150.

Closing the Set. Proceed to close the books, as follows:

1. Balance the cashbook; follow the model script form.
2. Make the closing entry and rulings in the purchase book.
3. Make the closing entry and rulings in the sales book.

March 1, 19—

		A. B. Boates, Chicago, Ill., began a Grain and Produce business at 728 Main St., investing cash \$1500.			
Mar. 27	92	Rowen & Co.	2080 —		
	92	Notes Pay.		2080 —	
		Gave them a note at 20 da. with interest for in- voice of $3\frac{1}{2}$			

SET E. JOURNAL

Date	F.	Names and Addresses	Terms	Amounts	Totals
19—					
Mar. 2	92	Rowen & Co, Minneapolis	30 da.	2080 —	
3	92	Wesley & Son, City	Cash	600 —	
9	92	Rowen & Co, Minneapolis	30 da.	384 —	
23	92	A. A. Dumton, City	3 da.	500 —	
31	93	Md rec. Purchases Dr.			3564 —

SET E. PURCHASE BOOK

Cash Received

19-									
Mar.	1	92	A. B. Hoates Investment	1500	—				
	11	92	E. D. Messer Invoice of $\frac{3}{11}$	425	—				
	20	92	A. W. Carson Invoice of $\frac{3}{20}$	725	—				
	25	92	E. M. Ferris Invoice of $\frac{3}{15}$	1162	50				
	30	92	Jas. R. Mahoney Invoice of $\frac{3}{10}$	125	—				
	31	92	Cash, Dr. Total for mo.					3937	50
								3937	50
Apr.	1		Balance On hand					2534	90
March 5, 19-									
Mar.	5	92	E. M. Ferris Buffalo						
			20 da.						
			150 bbl. Flour	6 ⁵⁰	975	—			
			150 bu. Wheat	125	187	50	1162	50	
	10	92	Jas. R. Mahoney City						
			20 da.						
			100 bu. Wheat	125			125	—	
	11	92	E. D. Messer City						
			Cash						
			50 bbl. Flour	6 ⁵⁰	325	—			
			200 bu. Oats	.50	100	—	425	—	
	15	92	E. M. Ferris Buffalo						
			20 da.						
			300 bu. Oats	.60	180	—			
			150 bu. Wheat	125	187	50	367	50	
			Carried forward					2080	—

Cash Paid

19-	Mar.	1 93	Rent Paid For March	75	—		
		1 93	Office Supplies & Cor. & Co., stationery	12	—		
		3 92	Wesley & Son Invoice of 3/3	600	—		
		4 93	Fuel 45. Coal	25	60		
		26 92	A. A. Dunton Invoice of 1/23	500	—		
		31 93	Salaries C. K. Price	40	—		
		31 93	Salaries Proprietor	150	—		
		31 92	Cash, br. Total for mo.			1402	60
		31 1	Balance ¹ On hand			2534	90
						3937	50

¹ To be written in red ink.

March 20, 19-

			Brought forward			2080	—
Mar.	20 92		A. W. Carson City				
			Cash				
			100 bbl. Flour	650	650	—	
			150 bu. Oats	50	75	—	725 —
		31 93	Mdse. Sales, br.			2805	—

Trial Balance, March 31, 19-

92	Cash	2534	90		
92	E. M. Ferris	367	50		
92	Notes Payable			2080	—
92	Rowen & Co.			384	—
92	A. B. Hoates, Prop.			1500	—
93	Mdse. Sales			2805	—
93	Mdse. Purchases	3564	—		
93	Rent Paid	75	—		
93	Office Supplies	12	—		
93	Fuel	25	60		
93	Salaries	190	—		
		6769	—	6769	—

Cash

¹⁹⁻ <u>Mar 31</u>		C.B.	90	3937	¹⁹⁻ <u>Mar 31</u>		C.B.	91	1402	60
				E. M. Ferris						
¹⁹⁻ <u>Mar 5</u>		S.B.	90	1162	¹⁹⁻ <u>Mar 25</u>		C.B.	90	1162	50
	15	S.B.	90	367						
				Jas. R. Mahoney						
¹⁹⁻ <u>Mar 10</u>		S.B.	90	125	¹⁹⁻ <u>Mar 30</u>		C.B.	90	125	-
				E. D. Messer						
¹⁹⁻ <u>Mar 11</u>		S.B.	90	425	¹⁹⁻ <u>Mar 11</u>		C.B.	90	425	-
				A. W. Carson						
¹⁹⁻ <u>Mar 20</u>		S.B.	91	725	¹⁹⁻ <u>Mar 20</u>		C.B.	90	725	-
				Notes Payable						
				¹⁹⁻ Mar 27			J.	89	2080	-
				Rowen & Co.						
¹⁹⁻ <u>Mar 27</u>		J.	89	2080	¹⁹⁻ <u>Mar 27</u>		P.B.	89	2080	-
				9			P.B.	89	384	-
				Mesley & Son						
¹⁹⁻ <u>Mar 3</u>		C.B.	91	600	¹⁹⁻ <u>Mar 3</u>		P.B.	89	600	-
				A. J. Danton						
¹⁹⁻ <u>Mar 26</u>		C.B.	91	500	¹⁹⁻ <u>Mar 23</u>		P.B.	89	500	-
				A. B. Coates, Prop.						
				¹⁹⁻ Mar 1			C.B.	90	1500	-

[illegible]

4. Post all books to the ledger; allow five lines for each account.
 - a. Post from the journal in the usual way, writing *J.* in the explanatory column of the ledger.
 - b. Post from the cashbook; write *C.B.* in the explanatory column of the ledger. Remember to post the footings of the cashbook.
 - c. Post from the purchase book. Credit each personal account, and debit *Merchandise Purchases* for the total purchases. Write *P.B.* in the explanatory column of the ledger. Write the ledger page in the folio column of the purchase book.
 - d. Post from the sales book. Debit each personal account, and credit *Merchandise Sales* for the total sales. Write *S.B.* in the explanatory column of the ledger. Write the ledger page in the folio column of the sales book.
5. Recheck the posting; foot the ledger accounts.
6. Take a trial balance and have it approved by the instructor.
7. Pass all work to the instructor.

NOTE. If additional work is required, use Set C, page 26.

SET F. COAL AND WOOD

Opening the Set. This set is designed to give further drill in the use of the cashbook, the purchase book, the sales book, the journal, and the ledger.

1. Use sheets of journal paper and ledger paper.
2. This set is not to be recorded in the bound blank books.
3. Follow the directions given in the model script set.
4. *Student* is represented as the proprietor.

MEMORANDA OF TRANSACTIONS

April 1. Student begins a Coal and Wood business, investing cash, \$1750.

2. Rent a coal and wood depot of C. M. Estes, 17 Warren St.; give him a check for the month of April, \$75.

3. Buy of M. L. Travers, for cash, 2 work horses, \$130 each; 1 delivery wagon, \$100; 1 set double harness, \$35.

Debit *Delivery Equipment* for the total of the above bill.

4. Buy of C. F. Osborn & Co., City, on account, 10 da.:

100 T. Egg Coal at \$6	100 T. Grate Coal at \$6.10
------------------------	-----------------------------

4. Buy of Stevens & Co., Pittsburgh, on account, 10 da.:

100 T. Stove Coal at \$6.25	100 T. Nut Coal at \$6.20
100 T. West Virginia Coke at \$5	

8. Buy of C. L. Smith, City, for cash:

10 cd. Maple Wood at \$3.50	10 cd. Pine Wood at \$4.50
10 cd. Body Hickory Wood at \$5.50	

9. Sell George H. Marshall, Homeville, on account:

50 T. Stove Coal at \$7.50	50 T. Grate Coal at \$7.25
----------------------------	----------------------------

11. Sell Gaylord & Son, City Point, on account:

50 T. West Virginia Coke at \$6	50 T. Nut Coal at \$7.50
---------------------------------	--------------------------

12. Sell G. A. Collier, City, for cash:

50 T. Stove Coal at \$7.50	10 cd. Maple Wood at \$4.50
10 cd. Body Hickory Wood at \$6.50	

15. Pay C. F. Osborn & Co. cash, to apply on account, \$500.

16. Receive of Gaylord & Son cash, to apply on account, \$250.

17. Give Stevens & Co. a note at 30 da., with interest, to apply on account, \$1000.

April 20. Receive of Gaylord & Son their check to balance account, \$425.

25. Receive of George H. Marshall cash, to apply on account, \$350.

27. Sell G. A. Collier, City, for cash:

10 cd. Pine Wood at \$5.50

50 T. Grate Coal at \$7.25

29. Pay Mary L. Pierce, the bookkeeper, her monthly salary in cash, \$30; pay James Torrey, the teamster, his monthly salary, \$30; pay E. L. Higgins, for care of the horses, \$16.50.

30. Make an additional investment in cash, \$750.

Inventories, April 30, 19—

Merchandise:

50 T. Nut Coal at \$6.50

100 T. Egg Coal at \$6

50 T. West Virginia Coke at \$4.75

Delivery Equipment:

Horses, Wagon, and Harness at cost, \$395

Closing the Set. Close all the books.

Post to the ledger; allow eight lines for each account.

Remember to open the ledger accounts in the proper order.

Take a trial balance; make the statements; close the ledger.

Pass all work to the instructor for approval.

CHAPTER VI

INTRODUCTION TO BUSINESS PRACTICE

THE BANK ACCOUNT

Bank. A *bank*, primarily, is an institution chartered by the state or the national government, to deal in credits and to provide for the safe-keeping of money.

Commercial Bank. A *commercial bank* renders important and diversified services to business men, among which are the following:

1. It grants credit to business men who wish to borrow money.

2. It is a safe place to keep money, securities, and valuables.

3. It facilitates the payment of money by allowing deposits to be drawn out on an order called a *check*. It does away with the necessity of sending money from one place to another.

4. It is especially help-

ful to business men in making collections, as notes, checks, and drafts.

5. The modern bank is very often called upon to give counsel to its patrons regarding the advisability of making investments. Banks are able to give expert advice along these lines.

Opening an Account. A person opens an account with a commercial bank by being identified if he is not known to the bank. After identification he writes his name in a *signature book* or on a *signature card*. He then makes out a deposit ticket for all items deposited, as cash, checks, etc. The bank furnishes deposit tickets and a check book (a book of blank checks and stubs), without charge.

The illustration above shows a signature card properly filled out by a depositor when he opens an account with a bank.

AUTHORIZED SIGNATURE OF	
<i>John E. McDermot</i>	
For the HAMPDEN NATIONAL BANK of Westfield, Mass.	
Address	<i>49 Elm St.</i>
Business	<i>Whip Manufacturer</i>
Date	<i>Sept. 14, 19__</i>

A SIGNATURE CARD

The *signature card* gives such information as the bank may require concerning the depositor, but the most important is the depositor's signature. Any paper presented at the bank bearing the depositor's name admits of identification by reference to the signature card.

A plain, neat signature is most difficult to imitate. *One should always write his name in exactly the same form.*

Deposits. Deposit tickets are not uniform in arrangement. The following illustration shows how the items of a deposit may be classified for the convenience of the bank which receives them. The listing of each check separately on the ticket is of special importance to the bank.

These tickets are commonly made up on an adding machine; a duplicate copy may be made for the file of the depositor. The file of these duplicates is valuable for reference.

The deposit ticket and the items for deposit should be handed to the *receiving teller*, the official who generally receives all money and all deposits passed to the bank. He examines the deposit, and if everything is found to be correct, he enters it in a book called a *pass book*.

The pass book is returned to the depositor by the teller and serves as a receipt for the money deposited in the bank; it should always accompany a deposit. Under no circumstances should the depositor make an entry in his pass book.

On this deposit ticket, in addition to the currency items, each check is listed by giving the name of the bank or of the city on which it is drawn, for the convenience of the bank which receives the deposit.

Check Record. On page 98 is given a form for keeping a record of the deposits and the checks in the check book in these sets. In the check book are *blank* pages for the keeping of this record.

Each deposit is entered when made, and each check when drawn; the balance may be extended daily, or as often as the cash is proved. By writing the balance directly opposite and to the right of the last check, the date of the check indicates the date of the balance.

THE UNION BANK	
DEPOSITED BY	
<i>W. B. Gray & Co.</i>	
<i>Boston, Mass., Jan. 7, 19--</i>	
<i>Please list each check separately</i>	
Bills	<i>90--</i>
Gold	
Silver	<i>107.5</i>
Checks <i>First</i>	<i>420--</i>
<i>Erie, Pa.</i>	<i>105.50</i>
<i>Hartford Conn.</i>	<i>1052.30</i>
	<i>1678.55</i>

A DEPOSIT TICKET

DEPOSITS				CHECKS					
Date		Amount		Date		Ck. No.	Amount		Balance
Mar.	4	2000		Mar.	9	1	200		
	16	200			12	2	75		1725
	31	596	70		17	3	112	50	
					23	4	500		1312
					31	5	30		1879
									20

Checks. When the depositor wishes to withdraw money from the bank, he writes an order called a *check*. A *check book* is a book of blank checks furnished to the depositor by the bank. It consists usually of two parts, the stubs and the checks. The stub contains a memorandum of the check and is valuable for reference after the check has been detached, and for comparison when the check is returned canceled.

The illustration on page 99 shows one page of a check book, both the checks and the stubs having been filled out.

The proof of cash is necessary at stated times, and in proving cash the check book must be depended on to show the condition of the bank account. By keeping a total of the checks drawn and a total of the deposits made, the balance shown by the check book may be readily ascertained at any time.

Page 99 is an illustration of a common form of check book. It shows the transactions of a depositor, Charles H. Jones, with The Union Bank for two consecutive days.

Notice the manner of filling out the check; the important items of the check are reproduced on the stub.

Great care should be taken in the writing of each check. There should be no erasures of any kind in the check book.

The first figure in the amount of a check should be written close to the dollar sign; an amount in figures should be written as follows: \$15⁴⁰. The first word in writing the amount should begin at the head of the line, and cents should be expressed as a fraction of a dollar, as $\frac{25}{100}$; any other space on this line should be filled in with a waved or broken line.

It should be borne in mind that there are manifold ways of keeping a check book. The method outlined herewith is a simple one and well serves the need of the student in his work in business practice.

The *left*, or *reverse*, *stub* may be used for recording any memoranda that the depositor deems important.

Pass-Book Entries. *Deposits* should be entered in the pass book by the teller of the bank at the time the deposit is made. If at any time a deposit is made without the pass book, a duplicate deposit ticket should be obtained by the depositor.

Minneapolis, Minn., Jan. 5, 19— No. 1—

The Union Bank

Pay to the order of James L. Benson \$135⁶⁰
 One hundred thirty-five ⁶⁰/₁₀₀ Dollars
 Charles H. Jones

Minneapolis, Minn., Jan. 6, 19— No. 2—

The Union Bank

Pay to the order of N. H. Thompson \$275⁸⁰
 Two hundred seventy-five ⁸⁰/₁₀₀ Dollars
 Charles H. Jones

MODEL SCRIPT CHECK BOOK

No. 1

Date Jan. 5, 19—

To Jas. L. Benson

For *on acct.*

Amount, \$ 135⁶⁰

No. 2

Date Jan. 6, 19—

To N. H. Thompson

For *on acct.*

Amount, \$ 275⁸⁰

In this envelope when it is returned to the student will be found the sheet containing a record of the deposits and the checks, and the bank balance for the month named. The canceled checks are also included in this envelope.

The deposits in the pass book may be totaled and the checks, in total, subtracted therefrom, thus showing the balance in the pass book.

Exercise 32. Transactions with a Bank

For Written Work

Directions. Make the following blank forms: rule lengthwise two sheets of paper about 5×8 inches; rule on each of these sheets two checks and two stubs, representing a page of a check book. Follow the model on page 99.

On another sheet of paper rule a form like the one given on page 98, — the form for keeping the record of deposits and checks, and the balance. On this sheet keep a record of the following deposits and checks. Enter the balance, in the *Balance* column, after writing each second check.

1. Under date of March 1, enter a deposit of \$1500.

2. Under date of March 9, write a check for \$250, in favor of Henry S. Lee, No. 1.

Fill out the stub first and then write the check.

If one first writes the check, he is quite likely to omit the filling out of the stub, and the stub is the only record of the check, in detail, after it has been detached by the maker.

3. Under date of March 13, enter a deposit of \$150.

4. Under date of March 16, write a check for \$137.50, in favor of Wm. G. Howe, No. 2.

Remember to fill out the stub first.

5. Under date of March 19, write a check for \$100, in favor of E. T. Perry.

6. Under date of March 23, enter a deposit of \$75.

7. Under date of March 30, write a check for \$28.40, in favor of Amos H. Wells.

8. Under date of March 31, enter a deposit of \$120.

9. Under date of March 31, write a check for \$50, in favor of John D. Rockwell.

10. What balance now remains in the bank?

SUGGESTION. This exercise may be continued at the discretion of the instructor.

BUSINESS FORMS

The Receipt. Study every detail of the following model receipt:

Boston, Mass., Jan. 9, 19--

Received of Frank C. Bliss

Two hundred ⁷⁵/₁₀₀ Dollars

on account

\$ 200 ⁷⁵/₁₀₀ Clark & Simpson

The Invoice. The following model shows how an invoice should be made out. The terms are *on account*, 60 da., therefore it is not receipted.

New York, June 4, 19--

Messrs. Clark & Smith

Springfield, Mass.

To Endicott & Bush Dr.

Terms 60 da.

2	casks	T. Prunes	70 ⁷⁵ / ₁₀₀	157	50		
10	bags	P. Tapioca	7 ¹²⁵ / ₁₀₀	71	25		
5	"	S. Pepper	18	90	—		
5	bbl.	P. R. Molasses	16 ^{66 2/3} / ₁₀₀	83	33	402	08

In this invoice who is the buyer? the seller? What is meant by *terms 60 da.*?

* Note that the dollar sign is not used in writing either the prices or the extensions.

Filing Invoices. For convenience in handling, invoices may be folded lengthwise with the printed matter outward.

The manner of folding the invoice is not imperative. The invoice may be folded lengthwise, the printed matter within; on the left end write the name of the seller, the amount in figures, and the date.

After the invoices are folded a rubber band may be placed around them, and then they are in a convenient form for handling. The filing should be in the order of the dates.

These suggestions are simply for the students in the classroom.

The Promissory Note. Study all the details of this model note:

\$ 216 ⁵⁰	Denver, Colo., May 14, 19—
Ninety days	after date I promise to pay to
the order of	Arthur T. Young
Two hundred sixteen ⁵⁰ / ₁₀₀	Dollars
at	Second National Bank
Value received	
No. 19	Due 8/12/19—
Samuel A. Long	

Promissory notes are of two kinds: notes that we give, *Notes Payable*; notes that we receive, *Notes Receivable*. They are always in writing, — a written promise to pay money. They are usually given or received on account, or when money is borrowed or loaned.

The giving or the receiving of a note, for a personal account, is merely the substitution of a written promise for an oral promise.

The holder of a note may sell it to a bank, and thus secure cash to use in his business.

If a note is sold before maturity, a reduction, called *discount*, is usually made.

If a note is to bear interest, it must be so stated in the note.

Exercise 33. Business Forms

For Written Work

I. RECEIPTS

Write the following receipts on slips of paper properly ruled:

1. S. T. Wade owes you \$56.75, and pays the whole amount.

The receipt bears these words: *in full of account.*

2. R. O. Warner owes you \$120.50, and pays you \$75.

The receipt bears these words: *to apply on account.*

3. You owe John Wheeler \$102.50, and pay it all.
4. You owe J. H. Leaman \$62.50, and pay him \$35.
5. You pay J. K. Lamson, in full, the account at the bottom of page 23.

II INVOICES

Rule two sheets of paper according to the model, and write the following invoices :

1. Set I, page 60, under the dates of *Jan. 4* and *6*.
2. Set II, page 76, under the dates of *Feb. 6* and *9*.

III PROMISSORY NOTES

Write the following notes on slips of paper, using the current date :

1. Gave Henry A. Morton your note, at 60 da., with interest, payable at the First National Bank, \$250.
2. Received of Henry S. Mercer his note, at 30 da., payable at The Union Bank, \$128.50.
3. Gave Wilson & Brown your note, at 2 mo., payable at your office, \$175.20.
4. Received of A. D. Rose & Son their note, at 1 mo., with interest, payable at their office, \$200.

DAILY CASH PROOF	
Name	<u>J. B. Brown</u>
Date	<u>Jan. 15, 19</u>
Cash received per cashbook, total	<u>5760.40</u>
Cash paid per cashbook, total	<u>1300.00</u>
Balance per cashbook	<u>4460.40</u>
Cash on hand per cash drawer	<u>400.00</u>
Cash in bank per check book	<u>4060.40</u>
Total	<u>4460.40</u>

MODEL FOR DAILY CASH PROOF

Daily Cash Proof. In the following sets the student will use representative money in carrying out his business transactions. At the close of each day's business cash should be proved.

How to prove cash:

1. The left side of the cashbook shows all cash received.
2. The right side of the cashbook shows all cash paid out.
3. The difference shows the amount of cash the business has on hand.
4. The sum of money in the cash drawer added to the amount on deposit in the bank should equal the difference shown by the cashbook.
5. If no bank account is kept, the cash in the drawer should equal the difference shown by the cashbook.

6. If all money is in the bank, the true bank balance should equal the balance shown by the cashbook less any checks that may be outstanding.

It is suggested that the form of proof shown in the illustration on page 104 be used.

To find Errors in the Trial Balance. If the debit and the credit items are not equal (that is, do not balance), observe the following suggestions in tracing the error:

1. Go over all additions, both in the trial balance and in the ledger.
2. Find the exact amount of the error; if *ten* or some *power of ten*, the error is usually in addition.
3. If the amount of the error is exactly the same as some amount in a book of original entry, the error is likely to be with that amount.
4. Divide the amount of the error in the trial balance by 2, and look for an amount corresponding to this result. If a debit item has been posted to the credit, it will cause an error equal to twice the amount of the item thus posted.
5. If the amount of the error is divisible by 9, the error is probably the result of the transposition of figures.
6. If necessary, recheck the posting to determine if that work was done correctly. (This manner of rechecking is described on page 23.) Rechecking involves a great deal of extra work; it should be undertaken only as a last expedient.

A trial balance that balances is not absolute proof that the ledger is correct. If a credit of *Notes Receivable* were posted to the credit of *Cash*, it would not affect the trial balance.

CHAPTER VII

SET III. GRAIN AND SEED BUSINESS

PRELIMINARY EXPLANATIONS

The *object* of this set is to give systematic drill in elementary business practice. *Student* is represented as the proprietor. Business forms are used, and all transactions in cash admit the handling of currency. An account is kept with the bank; deposits are made and checks are drawn. This set covers a period of two months, March and April, the books being closed at the end of each month.

The *books* used in this set are the journal, the cashbook, the sales book, the purchase book, the statement book, and the ledger.

All business forms handled are either *incoming papers* or *outgoing papers*. Incoming papers are those received from others; outgoing papers are those given to others. Incoming papers will be received and recorded by the student as in business, and he will issue and record all outgoing papers as in business.

Selling Price Lists. *Different* selling price lists may be used if desired. Twenty-five selling price lists are provided for this set (see below). When the instructor gives the student the necessary blank forms, he should assign him a price list. *Any one of the selling price lists may be used in connection with the buying price list.* In the box of business forms a card containing the selling price lists may be found.

SELLING PRICE LISTS

	1	2	3	4	5	6	7	8	9	10	11
Barley	1.	1.05	1.08	1.10	1.04	1.02	1.07	1.09	1.10	1.12	1.08
Clover Seed . .	8.80	9.	8.75	8.80	8.90	8.95	9.02	9.10	9.05	8.85	8.95
Dwarf Beans . .	8.	8.25	8.10	8.20	8.05	8.30	8.35	8.40	8.45	8.10	8.13
Field Corn . .	.75	.74	.76	.80	.84	.79	.81	.83	.82	.80	.78
Garden Corn . .	3.80	3.85	3.90	3.95	3.75	3.82	3.86	3.98	4.	3.82	3.92
Oats . . . .	.58	.60	.59	.61	.63	.62	.65	.66	.60	.57	.64
Rye	1.30	1.40	1.35	1.28	1.31	1.33	1.34	1.40	1.37	1.26	1.33
Timothy Seed .	3.40	3.45	3.50	3.35	3.42	3.47	3.35	3.38	3.40	3.36	3.42
Wheat	1.30	1.28	1.25	1.32	1.35	1.27	1.29	1.33	1.31	1.26	1.34

Buying Price List. In Set III all merchandise is to be bought at the following prices per bushel:

BUYING PRICE LIST

Barley 75¢	Clover Seed \$6	Dwarf Beans \$6	Field Corn 60¢	Garden Corn \$3
Oats 48¢	Rye \$1	Timothy Seed \$2.50	Wheat \$1	

Blank Business Forms. Ask the instructor for "Blank Business Forms, Box No. 1," before proceeding to write Set III.

WORK FOR MARCH

Incoming Business Forms for March. These incoming forms are included in the text for the following reasons:

1. All material in any given set is included in the text proper, in order that the textbook may be complete in itself.
2. The student is able to make a study of the work of the set before attempting to write it; this is especially important.
3. By having all matter included in the text, extended and varied reviews are made possible.

A tablet, separate from the text, containing all the incoming business forms shown in the list on the following page is available for use with this set when business practice is used.¹

All incoming checks are drawn on Traders National Bank.

¹ See under Opening the Set, paragraph 4, page 109.

FOR MARCH AND APRIL

12	13	14	15	16	17	18	19	20	21	22	23	24	25
1.09	1.05	1.11	1.10	1.04	1.08	1.06	1.09	1.07	1.10	1.05	1.09	1.10	1.04
8.98	8.80	9.05	9.12	8.93	8.86	8.85	8.92	8.91	8.80	8.88	9.04	8.79	9.
8.22	8.21	8.11	8.24	8.27	8.32	8.35	8.25	8.02	8.	8.15	8.20	8.25	8.30
.75	.77	.84	.85	.82	.79	.83	.81	.78	.83	.80	.79	.75	.78
3.95	3.90	3.88	3.76	3.85	3.88	4.	3.95	3.97	3.80	3.85	3.90	3.95	3.92
.60	.57	.59	.63	.66	.61	.65	.62	.68	.58	.62	.66	.63	.61
1.32	1.25	1.29	1.30	1.38	1.34	1.30	1.29	1.28	1.25	1.30	1.35	1.28	1.32
3.50	3.45	3.33	3.37	3.41	3.44	3.33	3.39	3.34	3.35	3.40	3.45	3.50	3.52
1.28	1.30	1.31	1.32	1.35	1.27	1.34	1.33	1.35	1.25	1.30	1.32	1.36	1.29

If business practice is not used, the tablet of incoming forms and the box of blank business forms will not be needed.

Form 1. Invoice of E. C. Ferry, City, March 2. Terms: cash.

50 bu. Clover Seed 100 bu. Field Corn
100 bu. Oats

Form 2. Invoice of S. D. Welch, City, March 5. Terms: on account.

6.00 20 bu. Dwarf Beans 8.00 100.00 40 bu. Garden Corn 3.80 152.40
1.75 100 bu. Barley 1.10 110.00 100 bu. Wheat 125.00 125.00
220.00 1.00 277.00

Form 3. Receipt of Amos Graves, March 7, in your favor, for rent of the store for March, \$35.

Form 4. Bill of David Ross for office books and stationery, March 8.

Office Books, \$8.50 Stationery, \$4

Form 5. Invoice of Henry Bruce, City, March 10. Terms: on account.

1.00 125.00 100 bu. Rye 1.00 50 bu. Timothy Seed 2.50

Form 6. Bill of I. N. Moss, City, for 2 T. coal at \$5.20, March 11. Terms: cash.

Form 7. Bill of A. C. Webb, City, for office safe, \$75, March 12. Terms: cash.

Form 8. Invoice of Haynes & Co., City, March 14. Terms: on account.

1.50 6.00 30 bu. Dwarf Beans 1.00 100 bu. Rye
1.20 300.00 60.00 200 bu. Field Corn 1.00 200 bu. Wheat
678.00 100 bu. Barley 78.00

Form 9. Check of Boyd & Co., City, for \$200, in your favor, March 23.

Form 10. Invoice of S. D. Welch, City, March 24. Terms: on account.

6.00 10 bu. Dwarf Beans 60.00 75.00 100 bu. Barley 75.00
60.00 100 bu. Field Corn 60.00 48.00 100 bu. Oats 48.00
20 bu. Garden Corn 60.00 123.00

Form 11. Invoice of Henry Bruce, City, March 25. Terms: on account.

1.00 100 bu. Rye 1.00 200 bu. Wheat

Form 12. Note of Jesse Watson, City, for \$250, in your favor, at 30 da., with interest, March 29.

Form 13. Check of John Wells, City, for \$100, in your favor, March 29.

Form 14. Check of Oscar Wilson, City, for \$330.50, in your favor, March 31.

Opening the Set. This set may be written in any of the following ways:

1. Simply record the transactions as in the preceding sets.

Unless otherwise instructed, keep the cashbook on a sheet of journal paper and copy at the close of the month. All other work may be recorded directly in the required books.

2. In addition to recording the transactions, all business forms may be used.

3. In addition to recording the transactions, using the forms, etc., all the business called for may be done, such business to be transacted according to the directions of the instructor.

The memoranda and all directions are given, so that complete business practice may be used if desired.

4. If the tablet of incoming business forms is not used, make out the forms on page 108 and file them in the envelope for *incoming papers* before beginning Set III, and use them instead of the tablet.

Prove the cash at the close of each day. (See model, page 104.)

MEMORANDA OF TRANSACTIONS FOR MARCH

March 1. Student begins the Grain and Seed business, investing cash, \$2400.

Place the above memorandum in the journal, *but make no journal entry*. Make the proper entry in the cashbook. Receive the currency from the instructor and put it in the *Business Cash* envelope.

1. You have entered into an agreement with Amos Graves for the rental of his store, 120 Main St., at \$35 per month.

No entry is required. A memorandum of this agreement may be made and filed with the incoming papers.

2. Buy of E. C. Ferry, City, for cash, merchandise as per the following invoice, Form 1.

Omaha, Nebr., Mar. 2, 19—

M. r. George A. Harris

120 Main St., City

To E. C. Ferry Dr:

Terms Cash

✓ 1.50	bu. Clover Seed	6 ⁰⁰	300	—	✓	
✓ 1.00	" Field Corn	60 ⁰⁰	60	—	✓	
✓ 1.00	" Oats	48 ⁰⁰	48	—	✓	408 ✓

Remove this invoice from the tablet of incoming papers. Note the extensions and the addition.

In business the goods received are compared with the invoice, and if found to be correct, check marks are placed at the *left*, as shown in the script illustration on page 109; then the extensions and the addition are verified and checked as shown at the *right*. Verify the extensions and the addition.

Make the proper entries in the cashbook and the purchase book.

In the purchase book, write the name, the address, the terms, and the amount on *one* line. Pay for the invoice.

In the box of business forms there is a filing envelope for invoices of merchandise purchased. Place the invoice in this envelope.

If business practice is not used, fold the invoice once lengthwise, face outward, and place it in the *Paid Bills* envelope.

SB
CB March 3. Sell John Williams, City, for cash, at the prices given herewith:

20 bu. Clover Seed at \$8

50 bu. Field Corn at 75¢

40 bu. Oats at 60¢

Make out an invoice and receipt it. If correct in every detail, record it in the sales book and the cashbook. Do not put any check marks on any bill of goods that you *sell*. Receive the cash and place it in the *Business Cash* envelope.

Pass the bill to the office, or dispose of it according to directions received.

Take great pains in counting all cash.

N 4. Deposit in The Union Bank cash, \$1800.

Read pages 96-98 for instructions.

Make out a deposit ticket. Record the amount in the check book.

Place the currency and the deposit ticket in the pass book and hand it to the bank.

PB 5. Buy of S. D. Welch, City, on account, merchandise as per invoice, Form 2.

Remove the invoice from the tablet. Check the extensions and the footing.

Record it in the purchase book. File this invoice in the proper envelope. Do not receipt this invoice. Why?

SB
111. 6. Sell John Wells, City, on account:

5 bu. Dwarf Beans

20 bu. Garden Corn

50 bu. Barley

Write the invoice, but do not receipt it. Why? Use the selling prices of the list assigned to you. Record in the sales book. Refer to the model, page 90. Dispose of the invoice according to directions received.

CB 7. Pay Amos Graves cash, for rent of the store for March, \$35, Form 3.

Remove this receipt. Make the entry in the cashbook. Pay the money. Place the receipt in the *Paid Bills* envelope.

March 8. Pay David Ross cash, for office books and stationery, \$12.50, Form 4.

Examine and check the bill. If correct, pay it. Make the entry in the cashbook. Fold the bill and file it in the *Paid Bills* envelope.

9. Give S. D. Welch your check, to apply on account, \$200.

Fill out the stub in the check book, No. 1. (See model script check book, page 99.) Write the check and detach it. Make the entry in the cashbook.

A receipt need not be taken when an amount is paid by check, as the canceled check will be returned as a receipt. However, a receipt may be taken if desired.

In the package of business forms there is a sheet for keeping a record of your dealings with the bank for one month.

If the checks are passed to an office, this sheet should be left at the office. The form and the use of this sheet are illustrated and explained on page 100. Place the student's name on the sheet. As checks are received they may be recorded thereon.

If the checks are kept by the student at his desk, he may keep the sheet and do this work himself. At the end of the month the sheet and the checks will be placed in the bank envelope.

10. Buy of Henry Bruce, City, on account, merchandise as per invoice, Form 5.

Remove this invoice from the tablet. Examine and check as previously instructed. Enter in the purchase book. File the invoice.

11. Pay the bill of I. N. Moss in cash for 2 T. coal at \$5.20, Form 6.

Remove the bill from the tablet. Examine and check it. If correct, pay it.

12. Pay the bill of A. C. Webb, by check, for office safe, \$75, Form 7.

Debit Office Furniture.

13. Receive of John Wells cash, to apply on account, \$100.

Write a receipt in favor of John Wells and receive the currency. Make the cashbook entry. Place the money in the *Business Cash* envelope.

14. Buy of Haynes & Co., City, on account, merchandise as per invoice, Form 8.

Examine and check the invoice, and then proceed as usual.

15. Sell Boyd & Co., City, on account:

100 bu. Field Corn

50 bu. Rye

100 bu. Barley

10 bu. Dwarf Beans

Write the invoice and record it in the sales book.

16. Deposit currency, \$200.

Make out the deposit ticket. Record it in the check book.

Place the currency and the ticket in the pass book and hand it to the bank.

C13 March 17. Pay Henry Bruce by check, to apply on account, \$112.50.

Write the check and make the entry in the cashbook. How do you dispose of the check?

S12 18. Sell Howard Young, City, on account, at the prices given herewith:

20 bu. Clover Seed at \$8 10 bu. Timothy Seed at \$3.40

S13 19. Sell Jesse Watson, City, on account, at the price given herewith:

200 bu. Wheat at \$1.25

C13 23. Receive of Boyd & Co. their check, on account, \$200, Form 9.

Remove the check and enter it in the cashbook. Place the check in the *Business Cash* envelope.

C13 23. Pay Haynes & Co. by check, to apply on account, \$500.

P13 24. Buy of S. D. Welch, City, on account, merchandise as per invoice, Form 10. *803*

Examine and check it.

PB 25. Buy of Henry Bruce, City, on account, merchandise as per invoice, Form 11.

S13 26. Sell John Wells, City, on account:

50 bu. Rye

150 bu. Wheat

J 27. Give S. D. Welch your note at 15 da., to apply on account, \$100.

Write the note, payable at *my office*. The note which you write will be similar to the script form given below. The signature to this note will be the student's own name.

Make the entry in the journal. Dispose of the note according to directions received.

\$100 ⁰⁰	Nashville, Tenn., Mar. 27, 19—
Fifteen days after date I promise to pay to	
the order of	S. D. Welch
One hundred ⁰⁰ / ₁₀₀	Dollars
at my office	
Value received	
No. 1	Due 4/11/19—
Henry L. James	

S12 28. Sell Boyd & Co., City, on account:

100 bu. Wheat

10 bu. Clover Seed

5 bu. Dwarf Beans

10 bu. Garden Corn

March 29. Receive of Jesse Watson his note at 30 da., in full of account, Form 12.

Remove the note from the tablet. Make the journal entry. Place the note in the *Unpaid Bills* envelope.

29. Receive of John Wells his check, on account, \$100, Form 13.

Place the check in the *Business Cash* envelope.

31. Sell Oscar Wilson, City, for cash, at the prices given herewith, receiving in payment his check, Form 14.

50 bu. Field Corn at 75¢

100 bu. Oats at 60¢

10 bu. Garden Corn at \$3.80

150 bu. Rye at \$1.30

Write the invoice and receipt it. Record it in the sales book and the cashbook. Remove the check and place it in the *Business Cash* envelope.

31. Student takes from the business for his monthly salary, \$50.

Take \$50 in currency from the *Business Cash* envelope and place it in the envelope for *Personal Cash*.

31. Deposit the three checks and all the currency on hand.

Take the currency and the checks from the *Business Cash* envelope; count the currency and make out the deposit ticket.

Indorse each check, as shown in the accompanying illustration.

The *full indorsement*, shown in the accompanying illustration, is the one most commonly used in business, and some banks and the clearing houses insist that this form must be used.

The *blank indorsement* is simply the writing of one's name on the back of the paper. (See page 118.)

Place the currency and the checks in the pass book and hand it to the bank. When the pass book is returned, examine it to see that all is entered correctly.

31. Give Henry T. Dale, your clerk, a check for his salary, \$30.

Monthly Bank Statement. At this point the monthly bank statement should be made. Proceed as follows:

Enter all deposits and all checks on the statement sheet. Refer to the model on page 100. Total both the deposits and the checks and find the balance. Place the checks and the statement sheet in the envelope.

If the deposits and the checks have been passed to an office, these instructions should be followed by the one in charge of that work; if not, the student may make the statement himself.

Pay to the order of
The Union Bank
(Student's name)

29-19- No. 13

Bank

\$ 100.00

Dollars

Henry T. Dale

Total the deposits in the pass book, subtract the total checks, enter the balance, rule, and foot. Bring the balance down under April 1.

Before closing the books hand them to the instructor for approval.

Inventories. Record the following inventories on a sheet of journal paper, and file for future reference:

Inventories, March 31, 19—

Merchandise:

112.50	.75	150 bu. Barley	.48	60 bu. Oats	28.80
240.—	6.—	40 bu. Dwarf Beans	6.—	50 bu. Rye	50.—
120.—			2.50	40 bu. Timothy Seed	40.—
60.—	.60	200 bu. Field Corn	1.—	50 bu. Wheat	228.80
532.50	3.—	20 bu. Garden Corn			
228.80					
761.30					

Office Supplies:

Office Books	\$8.	
Office Supplies	2.75	\$10.75
Office Furniture, at cost		75.
Fuel:		
Coal on hand		6.40

Closing the Work for March. Close each of the following: the cash-book, the purchase book, and the sales book. Refer to pages 89-91.

Open accounts in the ledger, four accounts to the page, in the following order; begin on the page indicated by the index:

Cash	Accounts Payable: ¹
Notes Receivable	E. C. Ferry
Accounts Receivable: ¹	S. D. Welch
John Williams	Henry Bruce
John Wells	Haynes & Co.
Boyd & Co.	C. V. Cronin
Howard Young	Smith & Bowers
Jesse Watson	Student, Prop.
Oscar Wilson	Profit and Loss
P. H. Morse	Sundry Expense Inventory
F. G. Morgan	Merchandise Sales
Johnson & Pease	Interest Earned
Merchandise Inventory	Merchandise Purchases
Office Furniture	Rent Paid
Notes Payable	Office Supplies
	Fuel
	Salaries
	Interest Paid

NOTE. The *Interest Earned* account will not be used until April.

¹ Do not open an account with *Accounts Receivable* nor *Accounts Payable*.

1. Post from the journal, writing *J.* in the explanatory column of the ledger.

2. Post from the cashbook, writing *C.B.* in the explanatory column of the ledger.

3. Post from the purchase book, writing *P.B.* in the explanatory column of the ledger.

4. Post from the sales book, writing *S.B.* in the explanatory column of the ledger.

Foot the ledger accounts.

Take a trial balance; have it approved, and then record it in Blank No. 1, on the page indicated by the index.

Make the statements; after approval record them in Blank No. 1, on the page indicated by the index.

Close the ledger. Make the necessary journal entries and postings.

Take a second trial balance.

Submit all work to the instructor for approval.

When the monthly statement of your bank account has been completed, compare each check with the stub in the check book; if they agree, put a large check mark on the stub. This check mark shows that the check issued has been returned canceled.

Does the balance of your monthly bank statement agree with the balance shown in your check book?

Exercise 34. Review

For Written Work

1. Journalize orally or in writing each transaction in March.

It is suggested that the amounts be omitted.

2. Use Exercise 25, I and II, for closing the ledger.

After the amounts have been transferred to a ledger sheet do not refer to the text when closing the ledger.

3. Make a study of your bank account and answer the following questions:

a. What items are recorded in your pass book?

b. When a deposit consists of both currency and checks, how is it properly made up?

c. Describe briefly the manner of keeping a record of deposits and checks in the check book.

d. How would you prove cash if no bank account were kept?

e. How would you prove cash when you keep a bank account?

f. Name six important things to be observed in the writing of a check.

Exercise 35. Review*For Written Work*

Make the statements from each of the following trial balances. Date each statement March 31, 19—.

1.

Cash	\$682.50	
Notes Receivable	399.90	
Henry Wilson	207.65	
Landis & Co.	214.10	
Mdse. Inventory	900.	
Office Furniture	96.40	
Notes Payable		\$100.
Sullivan & Co.		45.20
West & Son		101.05
John S. Albert, Prop.		2200.
Mdse. Sales		1933.20
Interest Earned		8.65
Mdse. Purchases	1702.20	
Office Supplies	22.50	
Rent Paid	37.50	
Salaries	110.	
Interest Paid	15.35	
	<u>\$4388.10</u>	<u>\$4388.10</u>

Inventories, March 31:

Merchandise	\$1086.80
Office Furniture	96.40
Office Supplies	10.75

2.

Cash	\$456.30	
Notes Receivable	226.75	
Ferry & Lake	276.85	
Nelson & Son	392.10	
Mdse. Inventory	500.	
Weller & Co.		\$94.25
Lee & Price		105.50
Warren D. Mason, Prop.		1800.
Mdse. Sales		1655.10
Interest Earned		16.60
Mdse. Purchases	1772.50	
Fuel	35.50	
Interest Paid	11.45	
	<u>\$3671.45</u>	<u>\$3671.45</u>

Inventories, March 31:

Merchandise	\$898.65
Fuel	10.50

Exercise 36. Problems*For Written Work*

1. Use one sheet (two pages) of ledger paper. Refer to Exercise 35; open an account with the Proprietor and each profit or loss account that is found in problem 1, allow six lines for each account. Make the necessary entries and postings to close the ledger. *

The inventories are to be found just below the trial balance.

2. In Exercise 35, analyze each debit and each credit in trial balances 1 and 2.

3. Each student is to use his own ledger for the month of March, in the following exercises:

a. Analyze each open ledger account.

b. Analyze each profit or loss account before it was closed.

c. Analyze each profit or loss account after it was closed.

4. Each student is to use his own cashbook for the month of March, in answering the following:

a. Tell why each name under *Cash Received* represents a credit.

b. Why is the *total* cash received a debit?

c. Tell why each name under *Cash Paid* represents a debit.

d. Why is the *total* cash paid a credit?

5. Give the journal entry for each entry under *Cash Received*.

6. Give the journal entry for each entry under *Cash Paid*.

7. Give the journal entry for each entry in the sales book.

8. Give the journal entry for each entry in the purchase book.

Drill work like the above clearly established the fact that all entries, no matter in what book the entry may be made, are expressed and recorded as debits and credits.

CHAPTER VIII

INDORSEMENTS AND INTEREST

Indorsements. An *indorsement* is the writing of one's name on the back of commercial paper with the intent to transfer the title or to assume legal responsibility for its payment.

Sometimes a payment of interest, or a partial payment of the face, is recorded on the back of an instrument.

The *object* of indorsement is to effect a transfer of the title, or to make the indorser conditionally liable for payment, or both.

Indorsements are made by using a rubber stamp or by writing.

When the signature is the name of a firm, the name or the initials of the person writing the signature may be written just underneath, as follows:

Brown, Smith & Co.
per J. E. Brown

The indorsements most commonly used are the *special*, or *full*, the *blank*, the *qualified*, and the *restrictive*.

A *special*, or *full*, indorsement names the indorsee; the instrument could not again be negotiated without the indorsee's indorsement.

A *blank* indorsement names no indorsee. Any holder may, however, convert this into a special indorsement by writing "Pay to (*his name*) or order" above the blank indorsement.

A *qualified* indorsement simply passes the title without rendering

Pay to the order of
John E. Lane
L. C. Howard

SPECIAL, OR FULL, INDORSEMENT

L. C. Howard

BLANK INDORSEMENT

Without recourse,
L. C. Howard

Pay to the order of
John E. Lane, with-
out recourse
L. C. Howard

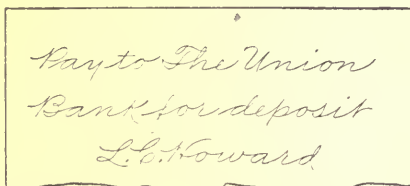
QUALIFIED INDORSEMENTS

the indorser liable. In form, this indorsement may be either in blank or special. This indorsement is not often used.

A restrictive indorsement constitutes the indorsee an agent of the indorser, usually for the collection of the paper by a bank.

This form of indorsement is not commended by banks and clearing houses.

Note the indorsement on page 113. All commercial paper offered for deposit at a bank must be indorsed, and the special, or full, indorsement is most commonly used.



RESTRICTIVE INDORSEMENT

This form is a protection to the lawful holder because the payee is named, and payment will be made only on his order, by indorsement.

If a check or a note bearing a special indorsement is lost or stolen, it is valueless to the holder.

When one has a check cashed at the bank, the blank indorsement may be used, as the check will be canceled as soon as cashed.

As the qualified indorsement relieves the indorser of responsibility for payment, commercial paper bearing this indorsement should be accepted with great caution.

Interest. The rate of interest allowed by law is called the *legal rate*. Persons may agree to pay less than this rate, but not more, unless a higher rate by special agreement is permitted by statute. If an agreement for the payment of interest specifies no rate, the legal rate in the state where the contract is signed will be understood.

In the *commercial world* 12 mo. of 30 da. each — 360 da. — are reckoned as 1 yr. In bank discount the exact number of days is used.

Throughout the business practice employed in this text the rate will be 6%, based on the commercial year of 360 da.

This method is not exact, but it is the most common because the most convenient. It has been legalized by statute in some states and is generally used in all the states.

A great variety of methods is employed to compute interest and discount, but it is suggested that the student use the *day method* as follows: Point off to the left three decimal places in the principal, multiply by the number of days, and then divide by 6. Cancel when possible.

ILLUSTRATION. What is the interest on \$146.50 for 50 da. at 6%?

Solution: $.1465 \times 50 = 7.325$.

$7.325 \div 6 = 1.22$, or \$1.22, the required interest.

The *maturity* of negotiable paper is determined as follows: when the time is expressed in months, *calendar months* are used to fix the date of maturity; but when the time is expressed in days, the *exact number of days* is used.

ILLUSTRATION. A note dated Jan. 28, 29, 30, or 31, at 1 mo., will mature on Feb. 28 (leap years excepted); but a note with any of the dates just noted, at 30 da., will mature on Feb. 27, 28, March 1, or 2, respectively.

Exercise 37. Interest Entries

For Written Work

Enter the following transactions, using a sheet of journal paper for the cashbook; balance and rule the cashbook.

SUGGESTION. This exercise is not a set, but a series of illustrations. It may be used first as an oral exercise.

May 1. Student begins business and invests cash, \$1600.

2. Give Henry A. Dunton a check for your note, which falls due to-day, \$172.50.

4. Receive a check from Henry A. Gray for his note, which is due to-day, \$235.20.

6. Pay your note and interest, due to-day, in favor of H. H. James, in cash. Face of the note, \$325; interest, \$11.50.

8. Receive of Hale & Son their check for their note and interest, due to-day. Face of the note, \$220.35; interest, \$7.75.

9. Receive a check from W. K. Marsh for his note, which is due to-day. Face of the note, \$300.

10. Pay your note and the interest, due to-day, in favor of Geo. R. Cushing. Face of the note, \$400; interest for 30 da.

11. Receive a check from Johnson & Co. for their note, due to-day. Face of the note, \$256.25.

15. Pay your note and the interest, due to-day, in favor of E. R. Sterling. Face of the note, \$222.40; interest for 60 da.

20. Receive a check from T. T. Munger for his note and the interest, due to-day. Face of the note, \$257.80; interest for 60 da.

25. Make an additional investment in the business in cash, \$750.

CHAPTER IX

SET III. GRAIN AND SEED BUSINESS (CONTINUED)

WORK FOR APRIL

The memoranda following are a continuation of the memoranda for March. No new principles are introduced, and the familiar business forms are used. As such full and explicit instructions were given in March, much explanatory matter will be omitted in April. If anything is not understood, refer to a similar transaction in the preceding month.

Incoming Business Forms for April. The following list of forms is a continuation of the list for March:

Form 15. Invoice of Henry Bruce, City, April 6. Terms: on account.

$\begin{array}{r} 440. \\ 190. \\ \hline 630. \end{array}$	$\begin{array}{r} 68.80 \\ 3.00 \\ \hline 71.80 \end{array}$	50 bu. Clover Seed 50 bu. Garden Corn	$\begin{array}{r} .48 \\ 25.40 \\ \hline 25.88 \end{array}$	300 bu. Oats 100 bu. Barley	$\begin{array}{r} 174 \\ 22 \\ \hline 196 \\ 284 \\ \hline 480 \end{array}$	$\begin{array}{r} 284 \\ 630 \\ \hline 914 \end{array}$
--	--	--	---	--------------------------------	---	---

Form 16. Invoice of S. D. Welch, City, April 9. Terms: on account.

$\begin{array}{r} .60 \\ 120. \\ \hline 120.60 \end{array}$	200 bu. Field Corn 200 bu. Wheat	$\begin{array}{r} 1. \\ 66. \\ \hline 67. \end{array}$
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Form 17. Invoice of C. V. Cronin, City, April 11. Terms: cash.

50 bu. Timothy Seed	$\begin{array}{r} 2.50 \\ 125.00 \\ \hline 127.50 \end{array}$
---------------------	--

Form 18. Note of Boyd & Co., City, for \$100, in your favor, at 10 da., April 14.

Form 19. Check of Howard Young, City, for \$193, in your favor, April 15.

Form 20. Check of Boyd & Co., City, for \$165, in your favor, April 23.

Form 21. Check of Boyd & Co., City, for \$100, in your favor, April 24.

Form 22. Invoice of Smith & Bowers, City, April 25. Terms: cash.

$\begin{array}{r} 120. \\ 150. \\ \hline 270. \end{array}$	20 bu. Dwarf Beans 50 bu. Garden Corn	200 bu. Field Corn
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Form 23. Check of Jesse Watson, City, for \$175, in your favor, April 27.

Form 24. Check of Jesse Watson, City, for \$251.25, in your favor, April 28.

Form 25. Check of Howard Young, City, for \$125, in your favor, April 29.

Opening the Work for April. The following general directions should be observed:

1. Use the same price list, the same books, etc., as in March.
2. Begin a new page in the journal. In the sales book, leave a space of three lines, then write the first sale in April under the last sale in March.

3. The balance brought down from the cash account, under April 1, is to be reckoned with the cash receipts in April. Use a new sheet for the bank account. Record the balance at the head of the deposit column.

MEMORANDA OF TRANSACTIONS FOR APRIL

✓ April 1. Give Amos Graves your check for the rent of the store for April, \$35.

✓ 1. Give Henry Bruce your check in full of account.

Turn to Henry Bruce's account in the ledger and find the balance of his account; write the check for this amount.

✓ 3. Receive of Howard Young cash in full of account.

Turn to Howard Young's account in the ledger and verify the balance. Write the receipt and get the money. Enter it in the cashbook.

✓ 669 6. Buy of Henry Bruce, City, on account, merchandise as per invoice, Form 15.

✓ 7. Sell Howard Young, City, on account, at the prices given herewith:

75 100 bu. Field Corn at 75¢ 50 bu. Barley at \$1 50.
68.00 20 bu. Timothy Seed at \$3.40

✓ 9. Give S. D. Welch your check, to apply on account, for \$200.

✓ 9. Buy of S. D. Welch, City, on account, merchandise as per invoice, Form 16. ~~84.20.~~

✓ 10. Sell Boyd & Co., City, on account:

48 ~~28.90~~ 30 bu. Garden Corn 1 1/4 20 bu. Clover Seed
100 bu. Oats

✓ 11. Buy of C. V. Cronin, City, for cash, merchandise as per invoice, Form 17. ~~125.~~

Write a check in payment.

✓ 11. The note in favor of S. D. Welch falls due to-day; pay it by check. ~~100.~~

Write the check. Pass it in and receive the canceled note. The note will be canceled by writing across the face *Paid April 11, 19—*, and the name of the payee. Make the entry in the cashbook. What account is debited in the cashbook? Place the canceled note in the *Paid Bills* envelope.

✓ 12. Sell P. H. Morse, City:

83.00
3.35 20 bu. Timothy Seed 100 bu. Field Corn
67.00 100 bu. Wheat 125.—
67.

Receive cash, \$125; balance on account.

275.—

Write the bill. Terms: cash, \$125; balance on account. Enter the entire bill in the sales book, and the cash received in the cashbook as a receipt *on account*. Record the amount of the cash on the bill and receive the money.

✓ *April 13.* Give Henry Bruce your note at 15 da., with interest, to apply on account, for \$200, payable at *his office*.

✓ 14. Receive of Boyd & Co. their note at 10 da., to apply on account, for \$100, Form 18.

Place the note in the *Unpaid Bills* envelope.

✓ 15. Sell Jesse Watson, City, on account:

311. 20 bu. Dwarf Beans	50 bu. Rye
50 bu. Barley	10 bu. Timothy Seed

✓ 15. Receive of Howard Young his check for invoice of *April 7*, Form 19. 193.-

✓ 17. Deposit the check and all currency on hand except \$25.

✓ 18. Give S. D. Welch your check in full for the invoice of *April 9*.

Verify the amount by referring to the purchase book. 420.-

✓ 19. Sell Howard Young, City, on account, at the price given herewith:

100 bu. Wheat at \$1.25 125.-

✓ 20. Sell F. G. Morgan, City, for cash, at the prices named herewith:

10 bu. Clover Seed at \$8	10 bu. Timothy Seed at \$3.40
---------------------------	-------------------------------

Write a receipted bill and enter it in the sales book and the cashbook. Pass in the bill and receive the currency. 114.-

✓ 21. Sell Boyd & Co., City, on account:

30 bu. Timothy Seed	20 bu. Garden Corn
50 bu. Barley	40 bu. Rye

22. Sell John Wells, City, on account:

200 bu. Oats	50 bu. Barley
100 bu. Field Corn	

✓ 23. Receive of Boyd & Co. their check, to apply on account, for \$165, Form 20. 251.-

✓ 24. Receive of Boyd & Co. their check, in payment of their note due to-day, for \$100, Form 21. 257.-

Enter the amount of the check in the cashbook. Under what name? Cancel the note and pass it in.

✓ 24. Deposit the two checks and all currency on hand.

Indorse the checks.

✓ *April 25.* Buy of Smith & Bowers, City, for cash, merchandise as per invoice, Form 22. 371

Examine and check the invoice; if correct, pay it by check. Enter in the purchase book and the cashbook.

Where is this invoice filed?

✓ 26. Sell Johnson & Pease, City, for cash, at the prices named herewith:

✓ 250. 10 bu. Dwarf Beans at \$8 100 bu. Field Corn at 75¢
25 bu. Garden Corn at \$3.80

After entering the invoice in the required books receipt it, pass it in, and receive the currency.

How is this invoice receipted?

✓ 27. Receive of Jesse Watson his check, to apply on account, for \$175, Form 23.

✓ 28. Give Henry Bruce your check for your note and the interest, due to-day. Face of the note, \$200; interest, 50¢.

What two entries are made in the cashbook? Remember to cancel and file the note.

How is this note canceled?

✓ 28. Receive of Jesse Watson his check for note and interest due to-day, Form 24. Face of the note, \$250; interest, \$1.25.

What two entries are made in the cashbook? Cancel the note and pass it in.

What is the value of a canceled note?

✓ 29. Receive of Howard Young his check for the invoice of *April 19*, Form 25. 126.—

✓ 30. Give Henry T. Dale, your clerk, a check for his salary, \$30.

✓ 30. The Proprietor takes from the business cash for his monthly salary, \$50.

✓ 30. Deposit the checks and all currency on hand.

✓ 30. Withdraw by check the balance on deposit in The Union Bank.

This withdrawal is made as a matter of convenience in closing the set. The amount of the check is for the *balance* in the bank. Make the check payable to *Self* and pass it in. No entry is required.

Monthly Bank Statement. Proceed with your bank account as you did at the close of March.

What is the value of the monthly bank statement to the depositor at the close of each month?

Before closing the books hand them to the instructor for inspection and approval.

Inventories. Record the following inventories on a sheet of journal paper, at the cost price, and file for future reference:

Inventories, April 30, 19—

Merchandise:

37.50	50 bu. Barley	45 bu. Garden Corn
120-	20 bu. Clover Seed	60 bu. Oats
170-	30 bu. Dwarf Beans	60 bu. Rye
120-	200 bu. Field Corn	50 bu. Wheat

Office Furniture:

Office Safe

Office Supplies

7.50

Closing the Set. After looking over the closing of each book in March, close the cashbook, the purchase book, and the sales book.

The careful bookkeeper checks his work *at every step*. Check all additions before writing the results in ink. A simple way to *check addition* is to add the columns in reverse order. If the results agree, the work may be assumed to be correct.

Post the books to the ledger. Post to the same accounts as in March.

Foot the ledger accounts.

Take a trial balance; after approval, record it in Blank No. 1, on the page indicated by the index.

Make the statements; after approval, record them in Blank No. 1, on the page indicated by the index.

Close the ledger. Make the necessary journal entries and postings.

Take a second trial balance.

Submit all work to the instructor for approval.

When your monthly bank statement has been completed, compare each check with the stub in the check book; if they agree, check the stub.

Exercise 38. Review

For Written Work

1. Journalize orally or in writing each transaction in Set III for April. It is suggested that the amounts be omitted.

2. In the text, turn to Exercise 36; use your own ledger and analyze the work for April in the same manner as given in problems 3, 4, 5, 6, 7, and 8.

3. a. On a sheet of ledger paper copy the following ledger accounts, allowing eight lines for each account:

OFFICE SUPPLIES

19—									
Apr.	11		5	9	50				
	16		6	11	25				
	23		6	10	25				

RENT PAID

19—									
Apr.	4		2	45					

INTEREST PAID

19—									
Apr.	13		4	8	75				
	22		5	13	35				

Inventories, April 30:

Merchandise	\$1453.70
Office Supplies	11.25

b. Open the following accounts: *Profit and Loss, Merchandise Inventory, and Sundry Expense Inventory.*

c. Make the necessary entries and postings to close the above ledger.

4. Write from memory on blank paper, cut to the proper size, the following business forms:

a. A Receipted Bill. Jan. 17, C. H. Palmer, Trenton, N.J., bought of *Student* for cash, less 3%: 25 doz. table knives at \$7.50, 15 doz. nail hammers at \$9, 25 doz. safety locks at \$4.50.

b. A Promissory Note. Jan. 20, *Student* gave James B. Stevens a 60-day interest-bearing promissory note payable at First National Bank. Face of the note, \$125.

c. A Receipt. Jan. 22, Frank H. Jackson paid *Student* \$127.85 in full for invoice of Jan. 12.

d. A Check. Jan. 25, *Student* gave William E. Hitchcock a check on Commonwealth Trust Company for \$200.

CHAPTER X

SET IV. GENERAL HARDWARE BUSINESS

PRELIMINARY EXPLANATIONS

The *object* of this set is to continue the work of Set III and to give more extended business practice. A partnership is introduced.

Partnership. A partnership is a contract relation between persons who combine their property, labor, or skill in a business, and who agree to share the profits and the losses jointly. The agreement may be verbal or written, preferably the latter.

The most usual clauses in the written articles of partnership are:

- | | |
|--|--|
| 1. Name of the firm | 6. Salaries to be paid to the partners |
| 2. Nature of the business | 7. Interest on invested capital |
| 3. Place of business | 8. Division of profit and loss |
| 4. Date of commencement and duration of partnership | 9. Provision for dissolution |
| 5. Capital to be invested, and provisions for its withdrawal | |

The Cashbook. A cashbook slightly different in form from the one already used is introduced in Set IV. This form has three columns

Cash Received

		F.		Net Cash		Disc. on Sales		General	
May	1		Student, Investment	1000				1000	
	1		W. K. King, Investment	1000				1000	
	4		John M. Jones Inv. 4/20, less 3%	97		3		100	
	9		Henry Upson Inv. 5/2	85				85	
	20		David L. Wing Inv. 5/6, less 2%	122	50	2	50	125	
				2304	50	5	50	2310	
June	1		Balance	① 1293	75	④		1293	75
			On hand						

on each side, as shown in the illustration below. Each *net* receipt of cash, other than that received for merchandise sold, less discount, is entered in the *Net Cash* column and in the *General* column.

For merchandise sold, less discount, enter the *net* amount in the *Net Cash* column, the discount on the invoice in the *Discount on Sales* column, and the sum of these two items in the *General* column.

Each *net* payment of cash, except for merchandise purchased, less discount, is entered in the *Net Cash* column and in the *General* column. For merchandise purchased, less discount, enter the net amount in the *Net Cash* column, the discount on the invoice in the *Discount on Purchases* column, and the sum of these two items in the *General* column.

In this cashbook the sum of the footings of the first two columns, on either side, should always equal the footings of the third column.

To post the cash receipts: *credit* each item in the *General* column; *debit* the footing of the *Net Cash* column to the *Cash* account in the ledger, and *debit* the footing of the *Discount on Sales* column to the *Discount on Sales* account in the ledger. The small circle underneath these columns is for the ledger page.

To post the cash payments: *debit* each item in the *General* column; *credit* the footing of the *Net Cash* column to the *Cash* account in the ledger, and *credit* the footing of the *Discount on Purchases* column to the *Discount on Purchases* account in the ledger.

Rule a very light line under the balance. Do not use the balance in footing either column when closing the cashbook.

Cash Paid

	F.			Net Cash	Disc. on Purch.	General
May	1	Rent Paid	For May	40		40
	6	Office Supplies	Stationery, etc.	9 50		9 50
	11	Warren & Co.	Inv. 5/1, less 2%	171 50	3 50	175
	17	Elson & Son	Inv. 5/15, less 1%	272 25	2 75	275
	20	Student, Drawing	For personal use	50		50
	20	W. K. King, Drawing	" " "	50		50
	22	Notes Payable	Favor Way & Co.	300		300
	25	Wilson & Co.	Inv. 5/19	87 50		87 50
	30	Salary	Of clerk	30		30
				1010 75	6 25	1017 00
				①	⑤	

Selling Price Lists. The table below gives twenty-five *different* selling price lists, any one of which may be used if the instructor so desires.

Buying Price List. In Set IV all merchandise is to be bought at the following prices:

BUYING PRICE LIST FOR MAY AND JUNE

ARTICLE AND QUANTITY	Cost
Carpenter's Chisels, $\frac{1}{2}$ -in., doz.	\$4.20
Coal Hods, doz.	4.50
Door Knobs, doz. . . . .	.75
Family Scales, each	1.75
Grindstones, each	1.
Hammers, doz.	9.
Handsaws, doz.	18.
Ice-cream Freezers, each	2.50
Knives and Forks, set	3.75
Lanterns, doz.	8.
Meat Choppers, doz.	12.
Mortise Locks, doz.	6.
Nails, 8d, wire, keg	3.20
Planes, #4, doz.	24.
Railroad Picks, 9 lb., doz.	10.
Steel Axes, doz.	12.
Try-squares, 6-in., doz.	2.50

SELLING PRICE LISTS

ARTICLE AND QUANTITY	1	2	3	4	5	6	7	8	9	10
Carpenter's Chisels, $\frac{1}{2}$ -in., doz.	5.25	5.30	5.35	5.20	5.40	5.18	5.22	5.37	5.74	5.30
Coal Hods, doz.	5.80	5.85	5.72	5.84	5.74	5.90	5.88	5.83	5.75	5.78
Door Knobs, doz.	1.	1.03	1.06	1.10	1.08	1.07	1.12	.98	.99	1.11
Family Scales, each	2.20	2.10	2.14	2.18	2.22	2.08	2.13	2.19	2.21	2.20
Grindstones, each	1.25	1.40	1.45	1.50	1.30	1.35	1.39	1.43	1.37	1.28
Hammers, doz.	12.	12.06	12.22	12.25	12.30	12.50	12.45	12.55	12.60	12.05
Handsaws, doz.	24.	24.20	24.25	24.32	23.50	23.40	24.50	24.85	24.09	24.10
Ice-cream Freezers, each	3.10	3.25	3.20	3.30	3.12	3.32	3.35	3.40	3.31	3.26
Knives and Forks, set	4.80	4.75	4.90	4.95	5.	4.82	4.92	4.85	4.95	4.80
Lanterns, doz.	10.20	10.25	10.30	10.35	10.40	10.45	10.50	10.55	10.45	10.48
Meat Choppers, doz.	16.	17.50	17.	16.25	15.80	16.21	16.26	16.31	16.36	16.41
Mortise Locks, doz.	8.	8.20	8.15	8.10	7.90	7.95	7.80	7.95	8.25	8.30
Nails, 8d, wire, keg	4.10	4.20	4.25	4.09	4.12	4.15	4.18	4.22	4.16	4.12
Planes, #4, doz.	30.	32.	29.	31.	33.	29.	28.	27.50	30.	28.50
Railroad Picks, 9 lb., doz.	12.50	13.	13.25	12.60	13.40	12.40	12.50	12.75	13.10	13.20
Steel Axes, doz.	15.50	15.60	15.75	15.25	15.50	15.70	15.80	15.30	15.15	15.20
Try-squares, 6-in., doz.	3.20	3.10	3.	3.05	3.25	3.28	3.30	3.35	3.35	3.10

WORK FOR MAY

Incoming Business Forms for May. Please read the instructions given on page 107 and apply them to the following list:

Form 1. Invoice of Turner & Moss, City, May 2. Terms: cash.

42.- 10 doz. Carpenter's Chisels 20 sets Knives and Forks
 21.- 12 Family Scales 4 doz. Mortise Locks
 10.- 10 Grindstones 1 doz. Planes, #4
 3 3 doz. Handsaws

Form 2. Bill of H. L. Mills, City, May 4. Terms: cash.

Set Office Books, \$12 Stationery, \$3

Form 3. Invoice of Wilder & Chase, City, May 7. Terms: 1/2 in 3 da., balance in 10 da.

36.- 4.50 8 doz. Coal Hods 5 doz. Lanterns 40.-
 9.- 12 doz. Door Knobs 10 kegs Nails 32.-
 135. 9 15 doz. Hammers 2 doz. Planes, #4 48.-
 35.- 10 Ice-cream Freezers 5 doz. Carpenter's Chisels 20.-
 205.- 3156.- 141.-

Form 4. Invoice of Dunn & Sanford, City, May 9. Terms: 10 da.

100.- 10 doz. Railroad Picks 12 doz. Steel Axes 100.-
 72.- 6 doz. Meat Choppers 20 doz. Try-squares 50.-
 172.- 172.- 112.-
 360.-

FOR MAY AND JUNE

11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
5.27	5.42	5.25	5.28	5.23	5.30	5.42	5.45	5.38	5.50	5.46	5.44	5.32	5.43	5.40
5.81	5.80	5.88	5.77	5.79	5.80	5.83	5.85	5.90	5.90	5.88	5.90	5.85	5.75	5.70
1.14	1.12	1.16	1.10	1.	1.13	1.09	1.12	1.15	1.07	1.04	1.	1.10	1.06	1.05
2.11	2.13	2.23	2.15	2.10	2.20	2.18	2.15	2.22	2.25	2.24	2.16	2.18	2.21	2.25
1.25	1.29	1.33	1.35	1.34	1.30	1.40	1.36	1.38	1.28	1.32	1.29	1.30	1.35	1.37
12.10	12.15	12.09	12.06	12.12	12.16	12.18	12.20	12.25	12.35	12.40	12.25	12.20	12.10	12.
23.02	23.97	24.02	24.	25.	24.20	24.22	23.90	23.95	23.80	24.	23.85	23.90	24.10	23.95
3.24	3.25	3.23	3.32	3.35	3.20	3.24	3.28	3.26	3.18	3.15	3.20	3.25	3.22	3.24
4.92	4.88	5.	5.02	5.05	5.01	4.80	4.85	4.92	4.90	4.95	4.98	4.75	4.80	4.70
10.10	10.25	10.40	10.35	10.32	10.30	10.22	10.26	10.21	10.75	10.65	10.60	10.55	10.70	10.72
16.01	16.05	16.09	16.13	16.17	16.22	16.27	16.32	16.37	16.42	16.02	16.06	16.10	16.14	16.18
8.14	8.12	8.16	8.31	8.33	8.15	8.20	8.22	8.18	8.20	8.22	8.05	8.10	8.	8.02
4.06	4.10	4.12	4.07	4.02	4.09	4.11	4.15	4.13	4.22	4.15	4.30	4.28	4.10	4.05
28.	31.50	32.10	31.75	31.10	31.40	31.30	31.35	31.25	31.32	31.05	30.75	30.80	30.95	31.
13.30	13.25	13.45	13.30	13.15	13.06	13.09	13.12	12.95	13.02	13.07	13.09	13.20	13.25	13.30
15.30	15.40	15.50	15.60	15.	15.90	15.95	15.75	15.60	15.75	15.60	15.55	16.10	16.05	16.
3.40	3.28	3.33	3.32	3.37	3.39	3.31	3.24	3.35	3.32	3.27	3.31	3.25	3.30	3.20

Form 5. Check of Strong & Hunter, City, for \$130.20, in your favor, May 11.

Form 6. Invoice of Turner & Moss, City, May 14. Terms: on account.

0.40	420	12 doz. Carpenter's Chisels	54.-	6 doz. Hammers	
5.-	'	10 doz. Coal Hods	15.-	6 Ice-cream Freezers	
2.50	1.75	30 Family Scales	108.-	6 doz. Handsaws	187.-
5.-		20 doz. Door Knobs	10.-	40 Grindstones	37.5
2.90		10 sets Knives and Forks	187.-		162.9
					387.40

Form 7. Invoice of Wilder & Chase, City, May 16. Terms: on account.

80.-	10 doz. Lanterns	32.-	10 kegs Nails	116
36.-	6 doz. Mortise Locks	144.-	6 doz. Planes, #4	176
		176		292.-

Form 8. Invoice of Dunn & Sanford, City, May 20. Terms: 1/30.

100.-	10 doz. Railroad Picks	72.-	6 doz. Steel Axes	97.
72.-	6 doz. Meat Choppers	25.-	10 doz. Try-squares	172
172.-				269.-

NOTE. The terms given mean that 1% will be taken off the face of the invoice if it is paid within 30 da.

Form 9. Check of Strong & Hunter, City, for \$150, in your favor, May 23.

Form 10. Check of John H. Sand, City, for \$200, in your favor, May 30.

Opening the Set. Observe these general directions:

1. The same bound books are used as in Set III.
2. *Student* and James A. Hart are represented as proprietors.
3. The firm name is to be *Student & Hart*.
4. *Student* will keep the books and manage the business.
5. Begin a new page in the cashbook, the journal, the check book, and the sales book.

6. Unless otherwise stated, *all payments* are to be made *by check*. Use a new sheet for the bank account.

7. In the month of May, omit the use of the *Discount on Sales* column and the *Discount on Purchases* column in the cashbook. These columns will not be used until the month of June.

MEMORANDA OF TRANSACTIONS FOR MAY

May 1. *Student* and James A. Hart begin a General Hardware business, investing cash, \$3000. Each partner invests \$1500.

Place the above memorandum in the journal, *but make no journal entry*. Receive the currency from the instructor.

Refer to the model cashbook, and make the entry for each partner.

1. Deposit all currency in The Union Bank, under the firm name.

In the pass book, above the *student's* name, write the firm name, *Student & Hart*.

May 1. You have entered into an agreement with Wm. H. Kellogg for the rental of his store, 266 Broad St., at \$50 per month.

No entry is required. A memorandum of this agreement may be made and filed with the incoming papers.

Engage Henry Lakey as a clerk at \$35 per month.

2. Buy of Turner & Moss, City, for cash, merchandise as per invoice, Form 1.

This check will be No. 1. Now that you are engaged in a partnership business, checks are to be signed with the *firm name*.

3. Give Wm. H. Kellogg a check for rent of the store for May.

4. Buy of H. L. Mills, City, for cash, books and stationery, as per bill, Form 2.

Remember that *all* cash payments are made by check unless otherwise noted.

5. W. D. Mendon, City, places an order for the following goods. Fill the order at the prices given herewith. Terms: cash.

21. — 4 doz. Carpenter's Chisels at \$5.25	1 doz. Handsaws at \$24
3.20 6 Family Scales at \$2.20	5 sets Knives and Forks at \$4.80
5. — 4 Grindstones at \$1.25	2 doz. Mortise Locks at \$8

Record the invoice in the sales book and the cashbook. Begin a new page in the sales book.

Receipt the invoice and receive the currency.

6. Hall & Son, City, place an order for the following goods. Fill the order. Terms: on account.

5.00 3 doz. Carpenter's Chisels at \$5.00	4 doz. 6 sets Knives and Forks
1 doz. Planes, #4	2 doz. 14 Family Scales

7. Buy of Wilder & Chase, City, merchandise as per invoice, Form 3. Terms: 1/2 in 3 da.; balance in 10 da.

7. Deposit currency, \$100.

8. Strong & Hunter, City, place an order for the following goods. Fill the order at the prices given herewith. Terms: on account.

3.20 4 doz. Coal Hods at \$5.80	60. — 5 doz. Hammers at \$12
2.30 3 kegs Nails at \$4.10	47.30 3 Ice-cream Freezers at \$3.10
5. — 5 doz. Door Knobs at \$1	20.40 2 doz. Lanterns at \$10.20

9. Buy of Dunn & Sanford, City, at 10 da., merchandise as per invoice, Form 4.

9. Withdraw by check \$15, to be used for office expenses.

Write this check to the order of *Cash*. No entry is required because no cash has been paid out. Place the currency in the *Business Cash* envelope. This is called a *cash check*.

May 10. Remit to Wilder & Chase a check for one half the invoice of May 7.

If there is a half cent in the division, call it one cent; always reckon the odd cent on the first transaction.

10. Pay S. H. Lyman, in currency, \$5 for office stationery.

11. Receive of Strong & Hunter their check for the invoice of May 8, Form 5.

Examine the check; if correct, enter the amount in the cashbook. Place the check in the *Business Cash* envelope.

12. Give each partner a check for \$50, for his personal use.

Write your check as follows: Pay to the order of *Student*.

Make your partner's check payable to his own name.

Sign each check with the *firm name*, as usual.

Enter in the cashbook as payments, under each partner's name, *Drawing* account.

Place the currency in the *Personal Cash* envelope.

The Drawing Account. Why Used. This account does not represent any part of the investment of a business, but the dealings of the business with the individual members of the firm; for this reason they are kept separate from the investment, or capital, of the firm.

The *investment*, or *capital*, account is to be used in carrying on the business, and it is not to be disturbed except by agreement of the partners and the amendment of the articles of partnership.

In this set the following items are entered into the drawing accounts:

DEBITS

CREDITS

- | | |
|---|--|
| 1. Cash withdrawn by a partner for private use | 1. Proper share of any net profits of the business |
| 2. Proper share of any net losses when the books are closed | |

May 13. L. P. Austin, City, places an order for the following goods.

Fill the order. Terms: on account.

12.40	5 doz. Railroad Picks	62.00	288	5 doz. Try-squares	16.40	98
16.21	2 doz. Meat Choppers	32.42	10	5 doz. Hammers	62.50	27
15.70	6 doz. Steel Axes	94.20	10	3 Ice-cream Freezers	9.96	
		189.62			88.86	

14. Buy of Turner & Moss, City, on account, merchandise as per invoice, Form 6.

15. Deposit the check on hand.

May 15. Wilson & Barton, City, place an order for the following goods: Fill the order. Terms: 10 da.

10 doz. Door Knobs	3 Ice-cream Freezers
3 doz. Hammers	6 sets Knives and Forks
2 doz. Handsaws	1 doz. Carpenter's Chisels

16. Buy of Wilder & Chase, City, on account, merchandise as per invoice, Form 7.

17. Remit to Wilder & Chase a check for the balance of the invoice of May 7.

Note the amount paid on this invoice on May 10.

18. John Howe, City, places an order for the following goods. Fill the order at the prices given herewith. Terms: cash.

4 doz. Lanterns at \$10.20	5 kegs Nails at \$4.10
3 doz. Mortise Locks at \$8	3 doz. Planes, #4, at \$30

19. Strong & Hunter, City, place an order for the following goods. Fill the order. Terms: on account.

6 doz. Carpenter's Chisels	8 doz. Door Knobs
4 doz. Coal Hods	4 Grindstones
10 Family Scales	3 doz. Hammers
3 doz. Handsaws	5 sets Knives and Forks

20. Buy of Dunn & Sanford, City, merchandise as per invoice, Form 8. Terms: 1/30.

What does *Terms: 1/30* mean?

21. Receive of L. P. Austin cash, on the invoice sold to him on May 13, \$100.

22. John H. Sand, City, places an order for the following goods. Fill the order. Terms: on account.

6 doz. Railroad Picks	5 kegs Nails
5 doz. Meat Choppers	5 Ice-cream Freezers
10 doz. Try-squares	4 doz. Lanterns
3 Grindstones	6 doz. Carpenter's Chisels

23. Receive of Strong & Hunter their check for \$150, to apply on the invoice of May 19, Form 9.

24. Deposit the check on hand, and currency, \$200.

24. Remit to Dunn & Sanford a check for the amount of the invoice bought of them on May 9.

25. Receive of Wilson & Barton cash for the amount of the invoice sold to them on May 15.

May 26. Give Wilder & Chase your note at 15 da., with interest, for the invoice of *May 16*.

Write the note and make the journal entry. The invoice should be receipted as follows: *Paid by note at 15 da., Wilder & Chase.*

What should be done with the invoice after it has been receipted? Who receipts this invoice?

27. P. D. Anson, City, places an order for the following goods. Fill the order. Terms: 10 da.

0	17.70	3 doz. Coal Hods	1.35	5 Grindstones	6.75	42.71
8	20.80	10 Family Scales	12.50	2 doz. Hammers	25.-	55.15
7	4.28	4 doz. Door Knobs	23.40	1 doz. Handsaws	23.40	97.93
	42.78				56.15	

27. Give Turner & Moss a check for one half of the invoice bought of them on *May 14*. 113.70

28. Receive of Hall & Son cash, to apply on the invoice sold to them on *May 6*, \$50.

29. L. P. Austin, City, places an order for the following goods. Fill the order at the prices given herewith. Terms: 3/10, n/30.

0.20	19.20	4 sets Knives and Forks at \$4.80	34.-	3 doz. Mortise Locks at \$8
	30.60	3 doz. Lanterns at \$10.20	16.40	4 kegs Nails at \$4.10
	49.80		40.40	

The terms 3/10, n/30 mean that 3% will be taken off the face of the invoice if it is paid within ten days, but if paid after the ten days, then the face of the invoice must be paid. n/30 means net 30 da. This is a common and very convenient form of abbreviation. If the invoice is not paid by the purchaser until after the lapse of the 10 da., then the limit of time for payment is 30 da., and the face of the invoice is to be paid at settlement.

29. Wilson & Barton, City, place an order for the following goods. Fill the order. Terms: on account.

58.-	2 doz. Planes, #4	32.42	2 doz. Meat Choppers
49.60	4 doz. Railroad Picks	62.80	4 doz. Steel Axes 16.70
107.60		95.22	

30. Receive of John H. Sand his check, to apply on account, for \$200, Form 10.

31. Deposit the check and all currency on hand.

31. Give Henry Lakey, your clerk, a check for his salary for the month of May, \$35.

Monthly Bank Statement. Make the monthly bank statement for May.

Before closing the different books hand them to the instructor for inspection and approval.

Inventories. The following inventories are for use in the work for May :

Inventories, May 31, 19—

Merchandise :

4 doz. Carpenter's Chisels	4 sets Knives and Forks
7 doz. Coal Hods	2 doz. Lanterns
5 doz. Door Knobs	3 doz. Meat Choppers
12 Family Scales	2 doz. Mortise Locks
4 Grindstones	3 kegs Nails
3 doz. Hammers	3 doz. Planes, #4
2 doz. Handsaws	5 doz. Railroad Picks
2 Ice-cream Freezers	8 doz. Steel Axes
15 doz. Try-squares	

Office Supplies :

Office Books and Stationery, \$12

Closing the Work for May. Close each book as in Set III.

Open accounts in the ledger, four accounts to the page, in the following order; begin on the page indicated by the index number :

Cash	Accounts Payable : ¹
Notes Receivable	Turner & Moss
Accounts Receivable : ¹	Wilder & Chase
W. D. Mendon	Dunn & Sanford
Hall & Son	<i>Student</i> , Investment
Strong & Hunter	<i>Student</i> , Drawing
L. P. Austin	James A. Hart, Investment
Wilson & Barton	James A. Hart, Drawing
John Howe	Profit and Loss
John H. Sand	Sundry Expense Inventory
P. D. Anson	Merchandise Sales
Arnold & Davis	Interest Earned
V. M. Farnham	Merchandise Discount on Purchases
Henry Zaner	Merchandise Purchases
Merchandise Inventory	Salary
Notes Payable	Office Supplies
	Rent Paid
	Merchandise Discount on Sales
	Interest Paid

Foot the ledger accounts.

Take a trial balance; after approval, record it in Blank No. 1, on the page indicated by the index.

Make the statements; after approval, record them in Blank No. 1, on the page indicated by the index.

¹ Do not write *Accounts Receivable* nor *Accounts Payable* in your ledger.

When *Drawing* accounts are kept with the partners, it is necessary to modify the form of that part of the balance sheet or financial statement which pertains to the proprietary interest; the other part of the statement remains unchanged.

Use the following form :

Proprietary Interest :

<i>Student</i> , Investment			\$1000
Drawing :			
Profit and Loss	\$120		
Withdrawal	<u>50</u>	<u>70</u>	\$1070
James A. Hart, Investment			\$1000
Drawing :			
Profit and Loss	\$120		
Withdrawal	<u>50</u>	<u>70</u>	\$1070

The above statement sets forth each partner's individual interest in the business at the time the books are closed.

Make the necessary journal entries and postings to close the ledger.

Divide the net profit equally between the partners, according to agreement. The following suggests the journal entry for closing the *Profit and Loss* account :

Profit and Loss

Student, Drawing

 James A. Hart, Drawing

To divide the balance of the *Profit and Loss* account, representing the net profit of the period, between the partners in the agreed proportion.

.....	
	
	

After posting the above entry, balance the *Drawing* account of each partner.

Take a second trial balance.

Submit all work to the instructor for approval.

After receiving the monthly bank statement, check the stubs of the check book.

Exercise 39. Review

For Written Work

1. Journalize orally or in writing each transaction in Set IV for May.

2. On sheets of journal and ledger paper write Set I, page 59, as follows: enter all cash items in the cashbook; journalize all other items; post to the ledger, four accounts to the page; take a trial balance; make the usual statements; close the ledger; take a second trial balance.

Exercise 40. Review*For Written Work*

1. Make the statements from the following trial balance. Date the statements March 31, 19—.

Cash	\$671.55	
Notes Receivable	534.75	
Iles & Son	194.65	
H. R. Eaton	114.85	
Arthur Lessing	265.20	
Mdse. Inventory	1100.	
Office Furniture	145.20	
Real Estate	1200.	
Building and Fixtures	1515.75	
Notes Payable		\$356.70
Kittredge & Co.		77.50
H. D. Greene		108.95
E. M. Baker		45.80
John S. Graves, Investment		4200.
John S. Graves, Drawing	100.	
David Freeman, Investment		4200.
David Freeman, Drawing	75.	
Mdse. Sales		5421.50
Interest Earned		16.20
Mdse. Purchases	8381.55	
Rent Paid	65.50	
Office Supplies	38.90	
Interest Paid	23.75	
	<u>\$14426.65</u>	<u>\$14426.65</u>

Inventories, March 31:

Merchandise	\$4562.70
Office Supplies	12.50
Office Furniture	145.20
Real Estate	1200.
Building and Fixtures	1515.75

2. Use the work for May in the books for Set IV, in the following exercises:

- a. Analyze each ledger account.
- b. Analyze each cashbook entry.
- c. Journalize orally each purchase-book entry.
- d. Journalize orally each sales-book entry.
- e. Distinguish between the *Drawing* account and the *Investment* account.

3. a. On a sheet of ledger paper copy the following ledger accounts, allowing eight lines for each account:

MERCHANDISE INVENTORY

19— May	1		4	725								
------------	---	--	---	-----	--	--	--	--	--	--	--	--

Student, PROPRIETOR

						19— May	1			2	1400	
--	--	--	--	--	--	------------	---	--	--	---	------	--

Student, DRAWING

19— May	19		5	60								
------------	----	--	---	----	--	--	--	--	--	--	--	--

HENRY SEARLE, INVESTMENT

						19— May	1			2	1400	
--	--	--	--	--	--	------------	---	--	--	---	------	--

HENRY SEARLE, DRAWING

19— May	15		5	50								
------------	----	--	---	----	--	--	--	--	--	--	--	--

MERCHANDISE SALES

						19— May	31				8	1526	40
--	--	--	--	--	--	------------	----	--	--	--	---	------	----

INTEREST EARNED

						19— May	22				4	9	80
--	--	--	--	--	--	------------	----	--	--	--	---	---	----

MERCHANDISE PURCHASES

19— May	31			7	1749	45							
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OFFICE SUPPLIES

19— May	10			5	12	75							
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INTEREST PAID

19— May	13			4	8	50							
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Inventories, May 31:

Merchandise	\$735.20
Office Supplies	6.25

b. Open the following accounts: *Profit and Loss* and *Sundry Expense Inventory*.

c. Make the necessary entries and postings to close the above ledger.

CHAPTER XI

SET IV. GENERAL HARDWARE BUSINESS (CONTINUED)

WORK FOR JUNE

The memoranda of this month are a continuation of the memoranda for May, representing a partnership business.

Incoming Business Forms for June. The following list is a continuation of the Incoming Business Forms for May on pages 131 and 132:

Form 11. Invoice of Wilder & Chase, City, June 3. Terms: 2/10, n/30.

191.70	6 doz. Carpenter's Chisels	5 doz. Hammers
	10 doz. Door Knobs	6 doz. Handsaws
	6 Grindstones	

Form 12. Invoice of Dunn & Sanford, City, June 5. Terms: on account.

2.50	6 Ice-cream Freezers	6. 10 doz. Mortise Locks 60.
3.75	12 sets Knives and Forks	3 20 20 kegs Nails 64.
8.	10 doz. Lanterns	24.- 6 doz. Planes, #4 144
		268

Form 13. Check of Arnold & Davis, City, for \$100, in your favor, June 5.

Form 14. Note of P. D. Anson, City, for \$100, in your favor, at 10 da., with interest, June 6.

Form 15. Bill of H. L. Mills, City, June 9. Terms: cash.

Office Stationery, \$6.75

Form 16. Invoice of Turner & Moss, City, June 12. Terms: 1/2 cash; balance in 30 da.

10 doz. Carpenter's Chisels	6 Grindstones
5 doz. Coal Hods	6 doz. Hammers
12 Family Scales	5 doz. Handsaws
6 doz. Door Knobs	

Form 17. Check of L. P. Austin, City, for \$73.85, in your favor, June 14.

Form 18. Invoice of Wilder & Chase, City, June 15. Terms: 1/2 cash; balance in 30 da.

6 Ice-cream Freezers	12 doz. Mortise Locks
10 sets Knives and Forks	20 kegs Nails
6 doz. Lanterns	5 doz. Planes, #4

Form 19. Invoice of Turner & Moss, City, June 21. Terms: 1/2 cash; balance in 10 da.

12 doz. Railroad Picks
8 doz. Meat Choppers

6 doz. Steel Axes
10 doz. Try-squares

Form 20. Check of P. D. Anson, City, for \$100, in your favor, June 25.

Opening the Work for June. The following general directions should be observed:

1. Use the same price list and the same books as in May.
2. Begin a new page in the journal. In the sales book, leave a space of three lines, then write the first sale in June under the last sale in May.
3. The balance brought down from the May cashbook, under June 1, is to be reckoned with the cash receipts in June. Use a new sheet for the bank account. Record the balance at the head of the deposit column.

MEMORANDA OF TRANSACTIONS FOR JUNE

June 7. Give Wm. H. Kellogg a check for rent of the store for June, \$50.

2. Receive of Hall & Son cash for the balance of the invoice of May 6.

2. Give Turner & Moss your note at 15 da. for the balance of the invoice of May 14.

3. Buy of Wilder & Chase, City, merchandise as per invoice, Form 11. Terms: 2/10, n/30.

4. Hall & Son, City, place an order for the following goods. Fill the order. Terms: 30 da.

5.90 4 doz. Coal Hods 23.40

2.08 4 Family Scales 8.32

23.40 3 doz. Handsaws 70.20
102.12

5.18 3 doz. Carpenter's Chisels 15.54

12.50 3 doz. Hammers 37.50

3.28 5 doz. Try-squares 164.00
67.44

5. Buy of Dunn & Sanford, City, on account, merchandise as per invoice, Form 12.

5. Arnold & Davis, City, place an order for the following goods. Fill the order at the prices given herewith. Terms: cash, \$100: balance in 15 da.

3 Ice-cream Freezers at \$3.10

9.30

5 doz. Lanterns at \$10.20

51.00

3 doz. Try-squares at \$3.20

9.60

6 doz. Mortise Locks at \$8

48.00

8 sets Knives and Forks at \$4.80

38.40

2 doz. Planes, #4, at \$30

60.00

37.30

Enter in the sales book. Receive their check for \$100, Form 13, and enter it in the cashbook. Under what name is the check entered?

51.30

102.12

167.44

June 6. Receive of L. P. Austin cash for the balance of the invoice of May 13.

6. Receive of P. D. Anson his note at 10 da., with interest, Form 14.

Do not make any entry for the interest.

6. Receive of Strong & Hunter cash for the balance of the invoice of May 19.

6. Deposit the check on hand, and currency, \$200.

8. Receive of L. P. Austin cash for the invoice of May 29, less 3%.

The allowance of 3% on this invoice for early payment is called *merchandise discount*. Such allowances are common in business. Study with care the following discussion of merchandise discount.

Merchandise Discount. If certain definite terms are noted on an invoice, as 3/10, ⁿ/30, and the buyer takes advantage of the terms which allow a discount, such allowance is termed *merchandise discount*. If the terms are *cash* less some specified discount, the allowance may be treated just the same as when a certain number of days are named, as 3/10; this method is followed in this text.

If the discount is made on a purchase, then the name of the allowance is *Merchandise Discount on Purchases*; if on a sale, *Merchandise Discount on Sales*.

In this text no discounts are deducted on the face of the invoice; all invoices will be entered at the *face* value in the regular books of record, and all discounts on the invoices will be recorded in the cash-book and posted to the ledger.

Refer to the model cashbook for May.

It is very convenient to write dates in fractional form. 5/29 means the 5th month and the 29th day, — May 29.

The ability of a business man to take advantage of the discounts offered on goods purchased is often an important or even a determining factor in his business success; the fact that he is able to pay for his goods within the discount period gains financial credit for him.

June 8. Give Dunn & Sanford a check for the invoice of May 20, less 1%.

9. Pay the bill of H. L. Mills, by check, for office stationery, Form 15.

10. Give Wilder & Chase a check for your note, in their favor, due to-day, with interest.

June 17. Strong & Hunter, City, place an order for the following goods. Fill the order. Terms: 15 da.

1.07	5 doz. Door Knobs	5.35	23.40	2 doz. Handsaws	40.50
1.35	3 Grindstones	7.05	41.5	6 kegs Nails	24.70
1.250	2 doz. Hammers	22.00	3.23	4 doz. Try-squares	13.12
		3.14	40		74.82
					124.90

(12) Buy of Turner & Moss, City, merchandise as per invoice, Form 16. Terms: 1/2 cash; balance in 30 da.

Enter the entire amount in the purchase book. Remember the check for the cash payment.

(13) Give Wilder & Chase a check for the amount of the invoice of June 3, less 2%.

(13) Give each partner a check for \$50, for personal use.

Sign each check with the firm name.

To what account are these amounts to be posted?

(14) L. P. Austin, City, places an order for the following goods. Fill the order at the prices given herewith. Terms: 1/2 cash; balance in 30 da.

21. —	4 doz. Carpenter's Chisels at \$5.25	21.00	2 Grindstones at \$1.25	
13.20	6 Family Scales at \$2.20	13.20	3 doz. Hammers at \$12	36.00
31.20	3 doz. Door Knobs at \$1	31.20	3 doz. Handsaws at \$24	72.00
				109.20

Receive a check for one half the amount, Form 17.

(15) Buy of Wilder & Chase, City, merchandise as per invoice, Form 18. Terms: 1/2 cash; balance in 30 da.

(16) Receive of P. D. Anson cash for his note and interest due to-day.

Compute the interest on the note and receive the currency. Remember, there are two entries in the cashbook. What titles will be used? How is this note to be canceled?

16. Deposit the check on hand, and currency, \$200.

(17) Give Turner & Moss a check for your note, in their favor, due to-day.

(19) V. M. Farnham, City, places an order for the following goods. Fill the order at the prices given herewith. Terms: cash.

24.60	6 kegs Nails at \$4.10	24.60	2 doz. Railroad Picks at \$12.50	
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(20) Receive of Arnold & Davis cash for the balance of the invoice of June 5.

(21) Buy of Turner & Moss, City, merchandise as per invoice, Form 19. Terms: 1/2 cash; balance in 10 da.

June 22 Wilson & Barton, City, place an order for the following goods. Fill the order. Terms: cash, \$75; balance in 10 da.

9.0	5 doz. Carpenter's Chisels	5 Grindstones	6.75
.70	3 doz. Coal Hods	3 doz. Hammers	37.50
28	4 doz. Door Knobs	2 doz. Handsaws	46.80
88			138.93

22. Deposit currency, \$175.

23. Give Dunn & Sanford your note at 30 da., to apply on account, \$200.

24. John H. Sand, City, places an order for the following goods. Fill the order. Terms: cash, \$150; balance in 30 da.

9.2	3.32	6 Ice-cream Freezers	7.95	6 doz. Mortise Locks	47.00
5.6	4.82	8 sets Knives and Forks	4.15	10 kegs Nails	41.50
25	14.45	5 doz. Lanterns	29.	3 doz. Planes, #4	87.-
73					176.20
					110.75

25. P. D. Anson, City, places an order for the following goods. Fill the order. Terms: cash, \$100; balance in 10 da.

1.24	5 doz. Railroad Picks	5.70	4 doz. Steel Axes	62.80
14.21	5 doz. Meat Choppers	3.28	3 doz. Try-squares	9.84
				72.64
				143.05
				215.69

Receive his check for \$100, Form 20.

26. Receive of Strong & Hunter cash for the invoice of June 11.

26. Deposit the check on hand, and currency, \$250.

27. Strong & Hunter, City, place an order for the following goods. Fill the order. Terms: 10 da.

1.20	1.24	3 doz. Railroad Picks	3.28	4 doz. Try-squares	13.12
1.50	4.15	10 kegs Nails	5.70	2 doz. Steel Axes	31.40
8.70					44.52
45.2					123.22

28. Henry Zaner, City, places an order for the following goods. Fill the order at the price given herewith. Terms: cash.

6 kegs Nails at \$4.10

29. Prepay your note in favor of Dunn & Sanford, issued on June 23, by giving them a check for the net proceeds.

This note has 24 da. to run; compute the interest on the face of the note for that time.

Enter in the cashbook as follows: under *Cash Paid*, the face of the note; under *Cash Received*, *Interest Earned* for the interest.

Write a check for the face of the note minus the discount. Hand in the check and receive the canceled note. This note will be canceled by writing across the face of it *Paid June 29, 19—, Dunn & Sanford*.

Place the canceled note in the *Paid Bills* envelope. This serves as a receipt for the note which has been paid.

June 29. Hall & Son, City, place an order for the following goods.
Fill the order. Terms: on account.

298 4 Family Scales	8.32	3.32	3 Ice-cream Freezers	7.96
135 3 Grindstones	4.05	23.46	2 doz. Handsaws	4.80
	12.47			56.76

30. Give Henry Lakey, your clerk, a check for his salary, 65.47

30. Deposit all currency on hand.

30. Withdraw, by check, the balance on deposit in The Union Bank.

Write the check payable to the order of *Cash*. The reasons for this withdrawal were given at the close of April. *No entry is required.*

Monthly Bank Statement. Make the monthly bank statement.

Hand all books to the instructor for inspection and approval.

Inventories. Record the following inventories on a sheet of journal paper, in the usual form, at the cost price, and file for future reference:

Inventories, June 30, 19—

Merchandise:

8 doz. Carpenter's Chisels	10 sets Knives and Forks
5 doz. Coal Hods	8 doz. Lanterns
9 doz. Door Knobs	6 doz. Meat Choppers
10 Family Scales	12 doz. Mortise Locks
3 Grindstones	5 kegs Nails
3 doz. Hammers	9 doz. Planes, #4
1 doz. Handsaws	7 doz. Railroad Picks
2 Ice-cream Freezers	8 doz. Steel Axes
	6 doz. Try-squares

Office Supplies:

Books and Stationery, \$12.50

Closing the Set. Close the different books.

May and June constitute one set of books; therefore the work for June will be posted to the same accounts as that for May.

Foot the ledger accounts.

Take a trial balance; after approval, record it in Blank No. 1, on the page indicated by the index.

Make the usual statements; after approval, record them in Blank No. 1, on the page indicated by the index.

Make the necessary journal entries and postings to close the ledger.

Submit all work to the instructor for approval.

After receiving your monthly bank statement, check the stubs of the check book.

Exercise 41. Review*For Written Work*

1. Journalize orally or in writing each transaction in June.
2. Journalize orally or in writing each transaction in Set G, pages 151 and 152.
3. As a test, write from memory, on blank paper cut to the proper size, the following business forms; make the entry for each party.
 - a. *A Promissory Note.* On May 27 *Student* gives Henry S. Miller a 30-day promissory note, bearing interest at 6%, payable at Second National Bank. Face of the note, \$237.50.
 - b. *A Promissory Note.* On June 16 *Student* receives of Adam H. Freeman a 60-day promissory note, without interest, payable at Union National Bank. Face of the note, \$348.20.
 - c. *A Check.* On May 15 *Student* receives of Howard & Co. a check drawn on the City National Bank for \$88.40.
4. Use the work for June in the books for Set IV in the following exercises:
 - a. Analyze each ledger account.
 - b. Analyze each cashbook entry.
 - c. Journalize each purchase-book entry.
 - d. Journalize each sales-book entry.
 - e. Analyze each journal entry.
5. On June 16 P. D. Anson settled for his note and the interest. How did this settlement affect the present worth of the business?
6. On June 29 the business prepaid a note in favor of Dunn & Sanford. Did this prepayment affect the present worth?
7. On June 17 the business paid a note in favor of Turner & Moss. Did the payment of this note affect the amount of the present worth of the business?
8. What effect does each of the following transactions have on the present worth of the business?
 - a. A receipt of money on account.
 - b. A payment of money on account.
 - c. The payment of a promissory note at maturity, without interest; with interest.
 - d. The receipt of cash for a promissory note at maturity, without interest; with interest.
9. State the use of the *Investment* account.
10. State the use of the *Drawing* account.
11. What does the credit balance of the *Drawing* account show?

Exercise 42. Review

For Written Work

1. Make the statements from the following trial balance. Date the statements June 30, 19—.

Cash	\$446.65	
Notes Receivable	512.90	
John S. Bright	178.40	
King & Melton	131.70	
Derby & Co.	78.95	
Mdse. Inventory	1020.	
Office Furniture	128.60	
Real Estate	600.	
Building and Fixtures	1223.65	
Notes Payable		\$234.50
Wallis & Lace		102.15
John D. Wheeler		45.75
White & Son		24.50
Geo. M. Blake, Investment		2350.
Geo. M. Blake, Drawing	100.	
H. S. Rowen, Investment		2350.
H. S. Rowen, Drawing	75.	
Mdse. Sales		2473.15
Interest Earned		43.25
Mdse. Discount on Purchases		32.65
Mdse. Purchases	2985.40	
Rent Paid	80.	
Office Supplies	33.75	
Mdse. Discount on Sales	31.35	
Interest Paid	29.60	
	<u>\$7655.95</u>	<u>\$7655.95</u>

Inventories, June 30 :

Merchandise	\$1850.60
Office Furniture	128.60
Real Estate	600.
Building and Fixtures	1223.65
Office Supplies	21.55

2. The following ledger closings are suggested:

a. Transfer to sheets of ledger paper the *Drawing* accounts and the other accounts necessary to close the ledger, then make the necessary entries and postings to close the ledger.

b. Use the accounts from Exercise 40, and close the ledger.

CHAPTER XII

GENERAL REVIEW

Exercise 43. Suggested Studies

For Discussion

I. PROFIT AND LOSS STATEMENT

1. From your closed ledger for June, Set IV, state the amount of goods sold for the month; the goods on hand at the beginning of the month; the goods purchased for the month; the goods on hand at the close of the month.

2. How did you find the cost of the goods sold?

3. Why did the sales for the month show a profit?

4. What items, if any, increased this profit, and why?

5. What items, if any, decreased the profit, and why?

6. Did the *Interest Paid* account increase or diminish the profits?

7. Did the *Interest Earned* account increase or diminish the profits? Why?

8. Did the *Merchandise Discount on Sales* increase or diminish the profits? Why?

9. Did the *Merchandise Discount on Purchases* increase or diminish the profits? Why?

II. THE BALANCE SHEET OR FINANCIAL STATEMENT

1. What is a balance sheet?

2. What is the purpose, in business, of making a balance sheet?

3. What are the three most important facts set forth in the financial statement?

4. How was the amount of the merchandise inventory determined? Why is it an asset?

5. In your ledger for June, Set IV, name each account that shows an asset. Why an asset?

6. Name each account that shows a liability. Why a liability?

7. If a debt is paid in cash, what is the effect on the assets? on the liabilities? on the present worth?

8. If the assets exceed the liabilities, what is the condition of the business?

9. If the liabilities exceed the assets, what is the condition of the business?

SET G. GRAIN

Directions. The books used are the journal, the cashbook, the sales book, the purchase book, and the ledger. Sheets of journal paper and ledger paper should be used for recording the transactions. Allow one third of a page for each account in the ledger.

SUGGESTION. This set is given as a review set, or it may be used for additional work by those students who finish the regular sets in advance of the class.

MEMORANDA OF TRANSACTIONS

June 1. Student and Wm. G. Allston begin the Grain and Seed business, investing cash, \$2000. Each partner invests \$1000.

2. Pay Edward S. Green by check, for rent of the store for June, \$50.

3. Buy of Wm. S. Duncan by check:

500 bu. Wheat at \$1

600 bu. Corn at 60¢

4. Sell Harvey & Co. for cash:

200 bu. Wheat at \$1.25

150 bu. Corn at 75¢

5. Buy of E. S. Harlan on account:

1000 bu. Oats at 48¢

6. Pay T. J. Coleman by check, for a set of office books, stationery, and supplies, \$22.50.

6. Sell Graves & Co. on account:

250 bu. Corn at 75¢

400 bu. Oats at 60¢

8. Pay E. S. Harlan by check, on account, \$200.

9. Buy of Richard S. Goodman on account:

500 bu. Corn at 60¢

10. Sell Henry P. Dutton on account:

150 bu. Wheat at \$1.25

100 bu. Corn at 75¢

200 bu. Oats at 60¢

11. Buy of S. M. Collins by check:

400 bu. Wheat at \$1

12. Pay Reading & Co. by check, for an office safe, \$75.

13. Student withdraws cash, for personal use, \$50.

June 13. Wm. G. Allston withdraws cash, for personal use, \$50.

15. Give E. S. Harlan your note, with interest, at 10 da., \$120.

16. Receive of Graves & Co. their check, on invoice of *June 6*, for \$175.

17. Give Richard S. Goodman your check for the invoice of *June 9*.

18. Receive of Henry P. Dutton his check for the invoice of *June 10*.

19. Sell Kelsey & Co. on account:

200 bu. Wheat at \$1.25	100 bu. Corn at 75¢
200 bu. Oats at 60¢	

20. Receive of Graves & Co. their check for the balance of the invoice of *June 6*.

22. Sell Graves & Co. on account, 2% 10 da.:

200 bu. Wheat at \$1.25	200 bu. Corn at 75¢
100 bu. Oats at 60¢	

23. Buy of Geo. M. Barber on account:

500 bu. Oats at 48¢

24. Sell Henry P. Dutton on account:

50 bu. Wheat at \$1.25	200 bu. Oats at 60¢
------------------------	---------------------

25. Pay E. S. Harlan by check for your note and interest due to-day.

26. Receive of Graves & Co. their check for the invoice of *June 22*, less 2%.

27. Pay Geo. M. Barber by check, on account, \$100.

27. Buy of E. S. Harlan on account:

300 bu. Wheat at \$1

29. Receive of Henry P. Dutton his check, on account, \$75.

30. Receive of Kelsey & Co. their note, with interest, at 30 da., \$250.

30. Pay Fred A. Walker, your clerk, by check, one month's salary, \$45.

Inventories, June 30, 19—

Merchandise:

400 bu. Wheat at \$1
300 bu. Corn at 60¢
400 bu. Oats at 48¢

Office Furniture:

Office Safe	\$75.
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Office Supplies:

Office Books and Stationery	10.50
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Exercise 44. Review*For Written Work*

1. Make the statements from the following trial balance. Date the statements June 30, 19—.

In this trial balance use is made of Accounts Receivable and Accounts Payable; the former is always an asset; the latter, a liability. These terms are defined on page 63.

The use of *Accounts Receivable* and *Accounts Payable* not only shortens the trial balance but gives the amount owed to the business, and the amount owed by the business as a single item.

In subsequent work these terms will be commonly used.

Cash	\$507.75	
Notes Receivable	756.55	
Accounts Receivable	564.50	
Mdse. Inventory	700.	
Real Estate	750.	
Building and Fixtures	1200.	
Office Furniture	116.35	
Delivery Equipment	350.	
Notes Payable		\$234.65
Accounts Payable		263.25
Geo. A. Emerson, Investment		2600.
Geo. A. Emerson, Drawing	65.	
Henry S. James, Investment		2600.
Henry S. James, Drawing	65.	
Mdse. Sales		2144.60
Interest Earned		17.45
Mdse. Discount on Purchases		8.10
Mdse. Purchases	2683.90	
Mdse. Discount on Sales	13.55	
Office Supplies	21.95	
Rent Paid	42.	
Interest Paid	31.50	
	<u>\$7868.05</u>	<u>\$7868.05</u>

Inventories, June 30 :

Merchandise	\$1697.45
Real Estate	750.
Building and Fixtures	1200.
Office Furniture	116.35
Delivery Equipment	350.

2. Transfer to sheets of ledger paper the necessary ledger accounts, and then close the ledger.

Inventories. *Taking stock*, sometimes called *making up inventories*, is one of the most important features of a business, at the period when the books are to be closed.

The following will make an interesting study for the class:

Members of the class, in groups of two, may be appointed to secure facts from local firms as to the taking of the inventory, and such information as the merchant may choose to give, and report to the class. Each group may secure material from a different business.

A profitable discussion should grow out of this report.

The following questions are suggestive:

Under what conditions should an article be inventoried at less than cost?

Why do merchants often have a special sale just before the inventory is taken?

What important facts are revealed by the taking of the inventory?

If the inventory is valued too high, what will be the effect on the profit and loss of the business? on the proprietary interest?

If the inventory is valued too low, what effect will it have on the profit and loss of the business? on the proprietary interest?

CHAPTER XIII

COMMERCIAL DRAFTS¹

Commercial Draft. A *commercial draft* is a written order in which one person directs another to pay a specified sum of money to the order of himself or to the order of a third person.

Use of the Draft. Commercial drafts are used primarily to effect the settlement of debts without the risk or the inconvenience of transmitting money. These debts may be past due, and the draft is used as a means of securing payment. More frequently, however, the draft is used because of the terms indicated on an invoice, as follows: *Subject to draft in 30 da.* (or some period that may be named). At the end of the 30 da. the seller draws a sight draft on the buyer and sends it through his bank of deposit, the buyer honors the draft by paying it, and the money is sent by the bank making the collection to the drawer or to his bank of deposit.

The number of commercial drafts handled by banks is so large that they represent a marked feature of the banking business.

Parties to a Draft. Usually there are two parties to a draft, as follows:

The *drawer*, the one who draws the draft.

The *drawee*, the one on whom the draft is drawn.

A large number of the commercial drafts used as a means of collecting debts are dishonored. The drawee refuses to pay the draft when it is presented to him. Unless there is a special reason, such as dealing with a delinquent debtor, a draft should not be drawn without a previous arrangement or an understanding between the persons. Without such notice, a draft ordinarily has no more significance than the sending of a monthly statement of account. The giving of the notice is an expression of business courtesy.

Sight paper is paper payable on presentation.

Sight Draft. To illustrate the use of the sight draft as an aid in collecting debts that are past due, suppose that Edgar McMickle, Patterson, N.J., owes Wilbert, Closs & Co., Springfield, Mass., \$260.50.

¹ A brief study of the commercial draft and the bank draft is introduced at this stage of the student's work for the convenience and accommodation of those instructors who desire to take up the study of drafts, in a brief way, in connection with the introductory work of the text.

The account is now past due, and Wilbert, Closs & Co. want the money. They will, after proper notice to the drawee, draw the following draft:

\$260 ⁵⁰ / ₁₀₀	Springfield, Mass. July 3, 19—
At sight	Pay to the order of
Ourselves	
Two hundred sixty ⁵⁰ / ₁₀₀	Dollars
Value received and charge to account of	
To Edgar McMickle	} Wilbert, Closs & Co.
No. 130 Due Paterson, N. J.	

Wilbert, Closs & Co. will indorse the draft and leave it with the Springfield National Bank for collection. As the bank has no account with a Paterson bank, they will again indorse the draft and forward it to the Chemical National Bank of New York City, with whom they have a regular account. The following indorsements will appear on the back of the draft:

Pay to the order of Springfield National Bank	per W. Wilbert, Closs & Co.	PAY TO THE ORDER OF CHEMICAL NATIONAL BANK NEW YORK	Frank W. Watson Cashier
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The blank indorsement, simply the name, is but little used in business. Banks insist on the use of the special, or full, indorsement.

A number of indorsements that are common in business are illustrated and explained on pages 118 and 119.

The Chemical National Bank will collect the money from McMickle through a bank in Paterson, and then notify the Springfield National Bank that the draft has been collected and the amount credited. The Springfield National Bank notifies Wilbert, Closs & Co. that the proceeds have been credited.

Entries. The following are the entries for this draft:

The Drawer's Entry. Wilbert, Closs & Co. make this entry on the left side of their cashbook:

July 3	Edgar McMickle	Deposited sight draft	260	50
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WILBERT, CLOSS & CO.'S CASHBOOK

Should the bank make a charge for collecting this draft, the amount of such a charge would appear on the right side of the above cashbook.

The Drawee's Entry. When Edgar McMickle pays the draft, he will debit Wilbert, Closs & Co. on the right side of his cashbook, as follows:

July 5	Wilbert, Closs & Co.	Pd. their sight dft.	260	50
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McMICKLE'S CASHBOOK

From the preceding discussion the following principles are deduced regarding the entries for commercial sight drafts:

1. The *drawer's entry* when he draws a sight draft in his own favor, and it is collected, is as follows:

Cash	Drawee
------	--------

2. The *drawee's entry* when he pays a sight draft is as follows:

Drawer	Cash
--------	------

Exercise 45. Sight Drafts

For Written Work

1. Write each of the following drafts, at sight, and make the entry for each party. Use the current date.

DRAWER	DRAWEE	AMOUNT
(a) J. C. Green (Your Place)	Amos Hamilton Albany, N.Y.	\$350.
(b) Student (Your Place)	John Garson Columbus, Ohio	\$402.10
(c) A. B. Mentor Chicago, Ill.	Student (Your Place)	\$378.50
(d) David M. Gay Alton, Ill.	John A. Saxon (Your Place)	\$1200.

2. F. A. Wright, Atlanta, Ga., owes you \$42.50 on account. Draw a sight draft on him, in favor of yourself, indorse it, and leave it at The Union Bank for collection. In 5 da. the bank informs you that the draft has been collected. Make the entries.

3. The Union Bank presents a sight draft drawn by O. M. Howe, Denver, Colo., on you, in favor of himself, for \$104.25. Pay it by check and make the entries.

When you pay a sight draft drawn on you, the draft should be canceled and kept as a receipt.

4. Frank Weeks, Austin, Texas, owes you \$200 on account. Draw a sight draft on him, in favor of yourself, for that amount, indorse it, and leave it at the First National Bank for collection. In 6 da. the bank informs you that the draft has been collected. Make the entries.

REVIEW QUESTIONS

1. Define a commercial draft. 2. State the object of drafts. 3. What names are given to the parties to a draft? 4. What is the drawer's entry when he draws a sight draft on A in favor of B? 5. What is the payee's entry for a sight draft received and collected? 6. What is the drawee's entry for a sight draft paid? 7. Do all drafts have two parties? Explain. 8. How is a sight draft used to collect a debt? 9. Is it wise to draw on a good customer without notifying him in advance? Why? 10. How would you indorse a sight draft left at The Union Bank for collection?

Sight Draft Payable to a Bank. The sight draft already illustrated is made payable to *Ourselves*. It is very common, however, to make these drafts payable to the bank with which the drawer does business. By so doing he avoids the necessity of indorsing the draft after he has drawn it.

The following is an illustration of a sight draft drawn payable to the order of a bank:

\$ <u>68 ⁴⁰/₁₀₀</u>	Springfield, Mass., <u>June 10,</u> 19 <u>—</u>
<u>At sight</u> Pay to the order of Hanover Trust Company	
<u>Sixty-eight ⁴⁰/₁₀₀</u> Dollars	
Value received and charge the same to account of To <u>S. A. Marshall</u> <u>Columbus, O.</u> } <u>S. A. Fetter</u>	

This draft shows that G. A. Feters has a claim against S. A. Marshall, of Columbus, Ohio, for \$68.40, and by using this form of draft or by indorsing it to a bank, the bank named is made the agent for collecting the draft.

Who is the drawer of this draft? the drawee?

What is the relation of the parties in this draft?

How would Marshall's account appear on Feters's ledger at the time the draft was drawn?

What entry would Feters make when he received word that the bank had collected the draft?

What entry would Marshall make when he paid the draft?

Assuming that the Commercial Trust Co. sent the draft to the First National Bank in Columbus, Ohio, what indorsement would be made on the back of the draft?

The Three-Party Draft. There may be three parties to a commercial draft, as follows:

The *drawer*, the one who draws the draft.

The *drawee*, the one on whom the draft is drawn.

The *payee*, the one to whom the order is made payable.

These are the *original parties* to a three-party draft.

The three-party draft is used less frequently than the two-party draft.

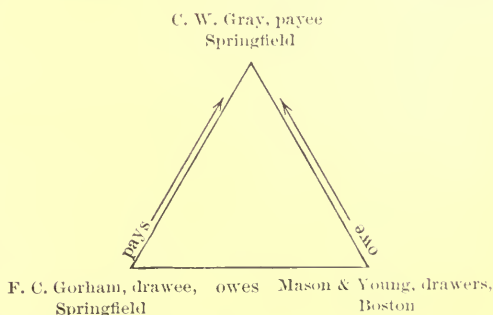
Study the sight draft on page 160 in connection with the accompanying diagram, which sets forth the relation of the parties in the draft.

The persons to a three-party commercial draft usually bear the following relation to each other:

The *drawee* generally owes the drawer.

The *drawer* generally owes the payee.

The *payee* and the *drawee* bear no relation to each other.



The *drawee* and the *payee* usually live in the same place.

While not bound to do so, the drawer usually notifies the drawee before or at the time of drawing the draft.

It is customary to send it to the payee, and he presents it to the drawee for payment.

Entries. The following illustrations set forth the form and the entries for the three-party draft:

\$ 500 ⁰⁰	Boston, Mass., May 3, 19—
At sight	Pay to the order of
C. W. Gray	
Five hundred ⁰⁰ / ₁₀₀	Dollars
Value received and charge to account of	
To F. C. Gorham	Mason & Young
No. 12 Due Springfield, Mass.	

The Drawer's Entry. Mason & Young mail the above draft to C. W. Gray, and make this journal entry:

C. W. Gray	500—	
F. C. Gorham		500—
Drew a sight draft on F. C. Gorham		
and remitted it to C. W. Gray		
on account		

MASON & YOUNG'S JOURNAL

Mason & Young have given C. W. Gray an order equivalent to \$500 cash, when presented to Gorham; therefore they should *debit* Gray.

When F. C. Gorham pays the sight draft, he gets out of Mason & Young's debt, \$500. He gave the money to Gray, but *for the account of Mason & Young*; therefore Mason & Young will *credit* F. C. Gorham.

The Payee's Entry. Immediately upon the receipt of this draft Gray will take it to F. C. Gorham and receive the cash, or deposit it in his bank for collection and credit. Gray will get the cash, \$500; he will make this cashbook entry on the left side:

May 4	Mason & Young	Sight draft on acct	500—	
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GRAY'S CASHBOOK

The cash received by Gray came from Mason & Young through Gorham; therefore Gray should *credit* Mason & Young, as they have canceled a debt they owed to him.

The Drawee's Entry. When the draft is presented to Gorham, he will pay it, and make this cashbook entry on the right side:

May 4	Mason & Young	On their sight draft	500	-	
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GORHAM'S CASHBOOK

Gorham paid Gray \$500, but he paid one of his debts to Mason & Young, and thus got out of their debt; therefore he should *debit* them.

Model Draft and Entries. The following illustrations suggest a model for the student to follow in writing drafts and in making the entries:

\$300 ⁰⁰	Cleveland, O., June 17, 19--
At sight	pay to the order of
David N. Swan	
Three hundred ⁰⁰ / ₁₀₀	Dollars
value received and charge to account of	
To John D. Sprague.	Chas. B. Sherman
No. 16 Due - Columbus, O.	

THE DRAFT

David N. Swan	300	-	
John D. Sprague			300 -
Drew sight draft on J. D. Sprague and remitted it to D. N. Swan on account			

DRAWER'S JOURNAL ENTRY

Chas. B. Sherman	His sight draft on J. D. Sprague	300	-	
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PAYEE'S ENTRY ON LEFT SIDE OF CASHBOOK

Chas. B. Sherman	His sight draft favor D. N. Swan	300	-	
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DRAWEE'S ENTRY ON RIGHT SIDE OF CASHBOOK

Bank Drafts. Business men usually keep an account with a bank and make a large proportion of their payments by check. However, they find it necessary sometimes to make payment to persons or firms who do not care to give credit for private checks, and then some other form of transfer must be used. A very common and convenient form of remittance is by means of a check of one bank upon another. This is called a *bank draft*.

Suppose that C. C. Canan, Boston, Mass., wishes to buy a bill of goods of Jordan, Marsh & Co., New York, amounting to \$400.60. If his financial standing is unknown to Jordan, Marsh & Co., he should not send his personal check. He therefore draws the following check and exchanges it at his bank for a New York draft:

Boston, Mass., <u>July 16, 19—</u> No. <u>365</u>	
Traders National Bank	
Pay to the order of <u>N.Y. draft (400⁶⁰) Exch. (50[¢]) \$401¹⁰</u>	
<u>Four hundred one ¹⁰/₁₀₀</u>	Dollars
<u>C. C. Canan</u>	

CHECK TO PAY FOR BANK DRAFT

The check is drawn for 50¢ more than the face of the draft, and this charge is called *exchange*. Some banks do not make any charge to regular customers. For this check the Traders National Bank will issue the following draft:

Boston, Mass., <u>July 16, 19—</u> No. <u>920</u>	
Traders National Bank	
Pay to the order of <u>C. C. Canan</u> \$ <u>400⁶⁰</u>	
<u>Four hundred ⁶⁰/₁₀₀</u>	Dollars
To Chemical National Bank } New York	<u>W. A. Hinman</u> Cashier

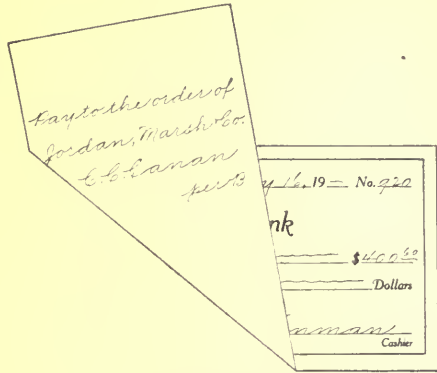
BANK DRAFT

A bank draft is usually drawn payable to the order of the purchaser, who indorses it to the person or the firm to whom it is to be sent, as shown herewith.

In this way the name of the sender appears on the draft, and he is identified as such.

The one who purchases a bank draft may require that the name of the one to whom it is to be sent shall appear as the payee.

In opening letters that contain drafts, if the name of the sender does not appear on the draft, care must be taken to keep the draft and the letter together. If his name is on the draft, it may be identified without the letter.



AN INDORSED BANK DRAFT

Entries. The sending of this draft constitutes a cash payment by C. C. Canan to Jordan, Marsh & Co., and he makes the following entry on the right side of his cashbook:

July 16	Jordan, Marsh & Co.	Dft for Inv. Mds	400 00
16	Expense	Exchange on above	50

Upon the receipt of the draft Jordan, Marsh & Co. will make this cashbook entry on the left side:

July 17	C. C. Canan	Dft for Inv. this da	400 00
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When Jordan, Marsh & Co. make their deposit for the day, they will include the draft received from Canan, such drafts being treated as checks.



Exercise 46. Bank Drafts

For Oral Work

1. Receive from Henry Belmont a bank draft, to apply on account, \$750. Give your entry; give his entry. No exchange charged.
2. Receive from Green & Co. a bank draft, to apply on account, \$328.40. Give your entry; give their entry. No exchange charged.
3. Buy of your local bank by check, Henry C. Lucas, Cashier, a draft on the Chemical National Bank, of New York, No. 6846, payable to your order, for \$250. Send it to Louis I. Brace in payment of your

note due to-day. Give your entry; give his entry. Indicate the proper indorsement. No exchange charged.

4. Buy of the First National Bank, of your city, Thomas E. Gross, Cashier, a draft on the Second National Bank, of New York, No. 2378, payable to your order, for \$32.50. Indorse it and send it to the Jones Manufacturing Company for a set of office books, to be used in your office. Give your entry; give their entry. No exchange charged.

5. As a review, write the check and the draft called for in problem 3.

Time Drafts. Time drafts are of two kinds: namely, those payable a certain time after date, and those payable a certain time after sight (that is, a certain time after *presentation* for acceptance).

\$124. ⁵⁰	St. Louis, Mo. July 8, 19—
Fifteen days after date	Pay to the order of
Ourselves	
One hundred twenty-four ⁵⁰ / ₁₀₀	Dollars
Value received and charge to account of	
To Elmer Carlson	Edison & Main
No. 14 Due 7/23/19 - Canton, Pa.	

A DRAFT PAYABLE AFTER DATE

Acceptances. An *acceptance* is a time draft which has been accepted. The preceding form is an *acceptance*, and it is treated in business as a *promissory note*.

Without the writing across the face of this draft it was not binding upon the drawee. He had not agreed to pay the draft, and could not be held legally for payment.

Method of Procedure in handling Time Drafts. The drawer writes the draft and mails it to the drawee.

In the foregoing draft the date of maturity was not determined by the acceptance, as it is expressly stated in the body of the draft that it is to be paid 15 da. after July 8, and this statement fixes the date of maturity, July 23.

When the foregoing draft is presented or received, Carlson is not bound to accept it, though it is a fair assumption that the draft would not have been sent to him without the previous assurance that he would accept it. However, if he does accept it, he becomes the

acceptor, and is held for its payment at maturity, the same as if he had written his promissory note for the amount.

Manner of Accepting. If the drawee is willing to meet a draft on him according to the conditions named therein, he writes the word *Accepted*, and signs his name. This is generally done in red ink across the face of the draft, though the color of the ink has no significance.

In those states that allow days of grace on sight drafts it is necessary to have them accepted in the same manner as time drafts payable after sight, unless they are paid upon presentation.

To *honor* a sight draft is to *pay it*; to *honor* a time draft is to *accept it* or to *prepay it*.

Analysis of Entries of Parties to a Time Draft. Compare the foregoing draft with the sight draft explained on page 156. The relation of the parties is identical. Carlson is indebted to Edison & Main. It is expected that Carlson will accept the draft when it is presented to him.

Drawer's Entry. When Edison & Main, the drawers, receive the draft after it had been accepted by Elmer B. Carlson, the drawee, they have in their possession an acceptance, a *notes receivable*; that is, a written promise for the payment of money. The drawers make the following entry:

Notes Receivable	124.50	
Elmer B. Carlson		124.50
Drew a 15 da. draft on him		
which he returned accepted		

EDISON & MAIN'S JOURNAL ENTRY

Drawee's Entry. When Elmer B. Carlson, the drawee, accepted the foregoing draft, he made it an *acceptance*, which is the same as a *notes payable* issued by him; that is, his written promise to pay a certain sum of money. The drawee would make the following journal entry:

Edison & Main	124.50	
Notes Payable		124.50
Accepted their 15 da.		
draft on account		

ELMER B. CARLSON'S JOURNAL ENTRY

Draft Payable after Sight. This draft is the same as the one payable *after date* except as to the manner of acceptance. In an order payable *after sight* it is necessary to date the acceptance to fix the date of maturity.

7

<u>\$250.00</u>	<u>Kansas City, Mo. July 17, 19—</u>
<u>At fifteen days sight</u>	<u>Pay to the order of</u>
<u>Ourselves</u>	<u>_____</u>
<u>Two hundred and fifty 00/100</u>	<u>Dollars</u>
Value received and charge to account of	
<u>To Daniel P. Rose</u>	<u>Meyer & Sons</u>
<u>No. 16 Due 8/4/19 Louisville, Ky.</u>	

A DRAFT PAYABLE AFTER SIGHT

The difference between a draft payable after date and one payable after sight is that the former begins to mature on the date of the draft, and the latter on the date on which the draft is accepted. The date of acceptance *must* be given in a draft payable after sight, while it may or may not be given in a draft payable after date.

Summary. From the preceding discussion the following principles are deduced regarding the entries for time drafts:

1. The *drawer's entry* when he receives his draft, drawn in his own favor, accepted, is as follows:

Notes Receivable

Drawee

2. The *drawee's entry* when he accepts a time draft is as follows:

Drawer

Notes Payable

Exercise 47. Time Drafts*For Written Work*

1. On May 20 you drew a 30-day draft on James B. Kitner, Des Moines, Iowa, for \$145.20, and remitted it to him. On May 26 the draft was received by you accepted.

a. Write the draft and show the acceptance. Make your entry.

b. Make your entry when you receive payment for the acceptance.

2. On June 4 A. S. Burton, Omaha, Nebr., drew a 15-day sight draft on you for \$184. You received the draft and accepted it on June 7, and then returned it to A. S. Burton.

a. Write the draft and show the acceptance. Make your entry.

b. Make your entry when you pay the acceptance.

c. How does the acceptance on this draft differ from the acceptance in problem 1?

d. If when you accepted problem 2 you had made it payable at the Union Trust Co., what effect would it have had on the acceptance?

CHAPTER XIV

THE DIRECT METHOD OF CLOSING THE LEDGER

Methods. There are two general methods of closing the ledger, — the *journal* method and the *direct* method. The former has been fully explained in the preceding pages of the text.

The Direct Method. In the *direct* method all inventories and profit and loss amounts are entered directly in the required ledger accounts, in red ink, and all transfers of these amounts are entered in black ink.

The direct method is here explained because students should be familiar with both methods of closing the ledger.

Merchandise Accounts. The first illustrations will be of the merchandise accounts, and the transfers necessary to find the profit on the merchandise sold. The following merchandise accounts and closing inventory are used in the illustration:

MERCHANDISE PURCHASES

19—									
Jan.	6		5	1200					
	19		6	1350					
	26		7	850					

MERCHANDISE SALES

					19—				
					Jan.	10	6	950	
						23	7	750	
						29	8	900	

On Jan. 31 the merchandise inventory was \$1100.

NOTE. Any amount or line that is starred (*) is to be written in red ink.

1. The first step is to record the inventory in the *Merchandise Purchases* account and to transfer it to the *Merchandise Inventory* account. Open an account with *Merchandise Inventory*.

After recording the inventory the accounts will appear as follows:

MERCHANDISE PURCHASES

19—					19—				
Jan.	6		5	1200	Jan.	31	* Inventory	2	1100
	19		6	1350					
	26		7	850					

MERCHANDISE INVENTORY

19—									
Jan.	31		7	1100					

2. The *Merchandise Purchases* account shows that merchandise to the amount of \$3400 was purchased, and that merchandise valued at \$1100 remained unsold on Jan. 31. The difference between these amounts is the cost of the merchandise sold. After this difference (\$2300) has been entered in the account, it should be transferred to the debit of the *Merchandise Sales* account. The accounts will then appear as follows:

MERCHANDISE PURCHASES

19—					19—				
Jan.	6		5	1200	Jan.	31	* Inventory	2	1100
	19		6	1350		31	* Cost of Sales	5	2300
	26		7	850					
				3400					3400

MERCHANDISE SALES

19—					19—				
Jan.	31	Cost of Sales	7	2300	Jan.	10		6	950
						23		7	750
						29		8	900

3. The amount of the sales equals \$2600, and the cost of the merchandise sold equals \$2300. The difference is the gross profit on sales. After this difference (\$300) has been entered in the account, it is transferred to the credit of the *Profit and Loss* account. The accounts will then appear as follows:

MERCHANDISE SALES

19— Jan.	31	Cost of Sales	7	2300	19— Jan.	10		6	950
	31	* Profit and Loss	4	300		23		7	750
						29		8	900
				2600					2600

PROFIT AND LOSS

					19— Jan.	31	Mdse. Sales	5	300
--	--	--	--	--	-------------	----	-------------	---	-----

Accounts which show Losses. The next step will be to transfer the losses recorded in certain accounts to *Profit and Loss*. To illustrate, assume that the *Rent Paid* account is debited with \$25. This loss is transferred directly to the *Profit and Loss* account. After this is done, the accounts will appear as follows:

RENT PAID

19— Jan.	3		5	25	19— Jan.	31	* Profit and Loss	4	25
-------------	---	--	---	----	-------------	----	-------------------	---	----

PROFIT AND LOSS

19— Jan.	31	Rent Paid	6	25	19— Jan.	31	Mdse. Sales	5	300
-------------	----	-----------	---	----	-------------	----	-------------	---	-----

If a *Salary* account were debited with \$45, it would be closed by transferring the loss directly to the *Profit and Loss* account. After this is done, the accounts will appear as follows:

SALARY

19— Jan.	15		5	45	19— Jan.	31	* Profit and Loss	4	15
-------------	----	--	---	----	-------------	----	-------------------	---	----

PROFIT AND LOSS

19—					19—				
Jan.	31	Rent Paid	6	25	Jan.	31	Mdse. Sales	7	300
	31	Salary	6	45					

Proprietor's Account. The next step is to transfer the difference between the debits and the credits of the *Profit and Loss* account to the *Proprietor's* account. This difference (\$230) represents the net profit. After this is done, the accounts will appear as follows:

PROFIT AND LOSS

19—					19—				
Jan.	31	Rent Paid	6	25	Jan.	31	Mdse. Sales	7	300
	31	Salary	6	45					
	31	*D.L. Net Profit	4	230					
				300					300

DAVID LANE, PROPRIETOR

					19—				
					Jan.	1		2	1500
						31	Profit and Loss	4	230

In the *Proprietor's* account enter the *Present Worth* in red ink on the debit side; rule the account, and then transfer the *Present Worth* on the credit of the account, below the rulings, in black ink, under Feb. 1.

The account will then appear as follows:

DAVID LANE, PROPRIETOR

19—					19—				
Jan.	31	*Present Worth		1730	Jan.	1		2	1500
						31	Profit and Loss	7	230
				1730					1730
					Feb.	1	Present Worth		1730

This completes the closing of the ledger by the direct method.

The various exercises in the text for closing the ledger may be used for additional work in the class.

Additional Points. In succeeding periods the merchandise inventory at the beginning of the period, as recorded in the *Merchandise Inventory* account, should be transferred to the *Merchandise Purchases* account. The steps as outlined above should then be followed in order.

If the cost of the merchandise sold exceeds the sales price, a loss on sales results, which should be transferred to the debit of the *Profit and Loss* account. The net loss should be transferred to the debit of the *Proprietor's* account.

The accounts which show profits other than the profit on merchandise sold are each closed directly into the *Profit and Loss* account. To illustrate, assume that the *Interest Earned* account shows a credit of \$10. After this amount is transferred to the *Profit and Loss* account, the accounts will appear as follows:

INTEREST EARNED

19— Mar.	31	* Profit and Loss	4	10	19— Mar.	25	2	10

PROFIT AND LOSS

19— Mar.	31	3	10

The *Sundry Expense Inventories* account may be used to record the amounts of unused office supplies, fuel on hand, etc., under the direct method of closing the ledger, the same as in the journal method. The only difference is that the amounts would be recorded and transferred directly rather than entered in the journal and posted to the ledger.

Exercises 28, 31, and 38 are suggested for reviews, for closing the ledger.

CHAPTER XV

GENERAL REVIEW

Exercise 48. Review of Debits and Credits

For Written Work

Directions. In this exercise postings are to be made directly to the ledger. Open the necessary accounts on a sheet of ledger paper; allow five lines for each account.

Proceed as follows:

1. In each transaction, note mentally the debit and the credit, and post directly to the ledger.

ILLUSTRATION. Suppose you receive a note from John Brown for \$200. On the ledger, debit *Notes Receivable* and credit *John Brown*.

2. For each cash item received, credit the account for the amount received; for each cash item paid out, debit the account for the amount paid. Post the total receipts and the total payments of cash.

3. Credit each purchase, and debit the footing.

4. Debit each sale, and credit the footing.

5. In the journal, determine the proper debits and credits, and post.

6. Take a trial balance; if correct, hand all work to the instructor.

The following are the cashbook entries:

June 1. Student invested cash, \$1450.

2. Paid Burton A. Pease cash, for rent of the store for June, \$40.

3. Paid Ely & Co. cash, for office supplies, \$12.50.

6. Paid Lowder & Co. cash, for 3 T. coal for the office, \$15.75.

10. Received of Esten & Clark cash, to apply on account, \$54.20.

12. Gave Arnold & Co. a check, to apply on account, \$135.

14. Received of A. H. Brownell a check for the invoice of *June 4*.

16. Received of Leon B. Shaw cash for the invoice of *June 12*, less 1%.

20. Paid Harry S. Moore cash for the invoice of *June 10*.

22. Paid John Clark cash, for cleaning the store windows, \$2.

23. Received of H. C. Gowdy cash, to apply on account, \$200.

24. Received of Silver & Case a check for the invoice of *June 24*, less 1%.

June 25. Received of Esten & Clark cash, for their note due to-day, \$100.

26. Paid H. S. Ranger cash for the invoice of *June 20*, less 1%.

27. Gave H. C. Putman a check for the invoice of *June 26*, less 1%.

29. Received of Silas N. Cook cash, to apply on account, \$150.

30. Paid Henry Gray, a clerk, cash, \$30.

The following purchases were made:

June 3. Arnold & Co., on account, \$335.

10. Harry S. Moore, at 10 da., \$275.20.

20. H. S. Ranger, 1/10, n/30, \$525.

26. H. C. Putman, cash, less 1%, \$400.

30. Harold D. Service, n/30, \$265.25.

The following sales were made:

June 4. A. H. Brownell, at 10 da., \$216.25.

8. Esten & Clark, on account, \$154.20.

12. Leon B. Shaw, 2/10, n/30, \$250.

16. H. C. Gowdy, on account, \$325.

24. Silver & Case, cash, less 1%, \$300.

29. Silas N. Cook, on account, \$212.60.

The following notes were received or given:

June 15. Received of Esten & Clark their note at 10 da. for \$100.

18. Gave Arnold & Co. your note at 30 da. for \$200.

Exercise 49. Review of Checks and Drafts

For Written Work

Directions. Journalize each transaction, post to the ledger, and take a trial balance. In the ledger, allow five lines for each account.

Use sheets of journal paper and ledger paper.

After completing the work, hand it to the instructor.

June 1. Student begins business with the following assets and liabilities:

✓ Merchandise, stock on hand, \$2456.10

✓ Cash on hand, \$845.20

The following owe you on account:

Frank M. Good, \$148.10

James D. Harris, \$86.50

Fred D. Wickens, \$112.75

Hastings & Co., \$136.45

Notes Receivable, J. N. Hensen's note, \$225

Notes Payable, in favor of Helm & Co., \$150

You owe the following on account:

Wright & Son, \$234.60

O'Niel & Co., \$115

Keeley & Stacy, \$145.65

Richard A. West, \$275

Credit the Proprietor for his net investment.

June 2. Receive of Frank M. Good a check, to apply on account, \$90.25.

4. The sight draft which you drew on James D. Harris for \$86.50 has been collected by your bank.

5. Give Wright & Son a check, to apply on account, \$85.

6. Buy at the First National Bank a New York draft. After indorsement, remit it to Helm & Co. in settlement of your note and the interest, in their favor. Face of the note, \$150; interest, \$1.50.

10. Receive of Fred D. Wickens a sight draft in your favor, drawn on L. M. Mitchell, of your city, for \$112.75, to apply on account.

13. The sight draft which you drew on Hastings & Co. for \$100 has been collected by your bank.

15. Give Richard A. West a check, to apply on account, \$120.

16. Receive of J. N. Hensen a Chicago draft, indorsed to you, for his note and the interest, due to-day. Face of the note, \$225; interest, \$4.50.

20. Give O'Niel & Co. your check, to apply on account, \$75.

25. Receive of Frank M. Good a check, in full of account, \$57.85.

26. Give Wright & Son a check, to apply on account, \$110.

27. Give Keeley & Stacy a check, to apply on account, \$85.

SET II. GENERAL MERCHANDISE

Opening the Set. Observe the following directions:

1. This set is to be written on sheets of journal paper and ledger paper.

2. It is a general merchandise business in which the invoice totals are given, both for the purchases and for the sales.

3. Use the following books: cashbook, journal, purchase book, sales book, and ledger.

4. On the journal sheet, record the journal and the purchase book on page 1, the cashbook on pages 2 and 3, the sales book on page 4.

5. In the ledger, allow five lines for each account, except the *Profit and Loss* account, for which allow ten lines.

6. Ernest B. Faxon is represented as the proprietor.

MEMORANDA OF TRANSACTIONS

May 1. Ernest B. Faxon began a General Merchandise business with the following assets: cash on hand, \$1285.40; merchandise, stock on hand, \$1536.85; note of A. M. Freeman, in favor of the Proprietor, dated April 20, at 30 da., with interest, \$250.

Make a journal entry for the above, and check the cash item.

Record the cash in the cashbook, and check it.

2. Engage Theodore Slayton as clerk at \$35 per month.

No entry for the above.

3. Bought of Arden & Race an invoice of merchandise amounting to \$322.50. Terms: 10 da.

4. Paid B. N. Halsey cash, for rent of the store for May, \$45.

5. Sold H. M. Pierson an invoice of merchandise amounting to \$182.50. Terms: 10 da.

6. Sold Chas. S. Earle an invoice of merchandise amounting to \$202.50. Terms: cash, less 1%.

8. Bought of Gordon & Co., for cash, office books and supplies, \$17.20.

9. Gave Little & Co. a check, for fuel for use in the store, \$26.25.

10. Bought of Arthur Bowers an invoice of merchandise amounting to \$262.40. Terms: cash, less 1%.

11. Paid cash, for stamps and post cards, \$5.

12. Sold Fred T. Lynch an invoice of merchandise amounting to \$175.20. Terms: on account.

13. Paid Arden & Race by check, to apply on account, \$122.50.

15. Gave Arden & Race a note at 30 da. for \$200, to balance their account.

Rule their account.

16. Received of H. M. Pierson a sight draft on Lowney & Co., in favor of the Proprietor, for \$100, to apply on account.

17. Received of H. M. Pierson a check for the balance of the invoice of *May 5*.

18. Bought of Hunter & Son an invoice of merchandise amounting to \$258.50. Terms: 2/10, n/30.

19. Sold Benj. I. Weed an invoice of merchandise amounting to \$156.50. Terms: 1/10, n/30.

20. Received of A. M. Freeman a check for his note and the interest, due to-day. Face of the note, \$250; interest for 30 da. at 6%.

May 22. Sold Arthur H. Clay an invoice of merchandise amounting to \$201.45. Terms: 10 da.

23. Bought of T. N. Woodson an invoice of merchandise amounting to \$194.75. Terms: on account.

24. Gave Theodore Slayton a check for \$15, to apply on his monthly salary.

25. Sold Chas. M. Dewey an invoice of merchandise amounting to \$198.65. Terms: on account.

26. Bought by check, at the First National Bank, a New York draft and remitted it to Hunter & Son for the net amount of the invoice bought of them on *May 18.*

27. Gave T. N. Woodson a check, to apply on account, for \$120.

29. Bought of Loomis Bros. an invoice of merchandise amounting to \$248.90. Terms: on account.

29. Received of Benj. I. Weed a Chicago draft for the net amount of the invoice sold to him on *May 19.*

30. Sold Farmer & Co. an invoice of merchandise amounting to \$145.55. Terms: 10 da.

30. Prepaid the note given to Arden & Race on *May 15*, less the discount for the time the note has yet to run.

Credit *Interest Earned* for the discount.

31. Gave Theodore Slayton a check, for the balance of his monthly salary, for \$20.

31. Gave T. N. Woodson a note at 20 da. for the balance of the invoice bought of him on *May 23.*

Inventories, May 31, 19—

Merchandise	\$1871.40
Office Supplies	12.
Fuel	20.

Closing the Set. Proceed as follows:

Rule and foot the different books, and then post.

Take a trial balance, and then make the statements.

Close the ledger. Take a second trial balance.

Pass all work to the instructor.

CHAPTER XVI

ADDITIONAL BUSINESS FORMS AND MISCELLANEOUS EXERCISES

The work of this chapter is purely optional. Many students study bookkeeping only one year, and some instructors deem it wise to give these students such information as this chapter contains, for it is their only opportunity to gain knowledge of this character, which is valuable to every student whether he enters business or professional life.

If a student studies bookkeeping for more than one year, the work in this chapter may be deferred.

MONTHLY STATEMENT OF ACCOUNT

A statement of a ledger account is a copy of a customer's account, and also shows the balance remaining unpaid on a given date.

It is a common practice for merchants to send, at the close of each month, to each customer a statement of his account.

The accompanying illustration is the ledger account of Amos T. Harmon on the books of Austin & Son.

The script illustration shows the

Page <u>46</u>		STATEMENT OF ACCOUNT	
<u>Chicago, Ill., June 1, 19--</u>			
<u>Mr. Amos T. Harmon</u>			
<u>126 Lake St., City</u>			
In account with <u>Austin & Son</u>			
May	8	To Mdse.	65.40
	19	" "	37.25
	26	" "	87.50 190.15
May	11	By Cash	50.-
	22	" "	40.50
	29	" "	62.45 152.95
37.25			
		~~~~~	
July	1	per statement rendered	37.20

MODEL STATEMENT OF ACCOUNT

monthly statement for May, which was rendered June 1; below it is given the first line of the statement for the month of June, which will be rendered July 1. The first line reads *Per statement rendered*, and this makes unnecessary a repetition of the debit and the credit items on the preceding statement.

### Exercise 50. Monthly Statements of Accounts

#### *For Written Work*

As drill work for the student he may make monthly statements of the accounts of any customers from his own ledger, if one is available, always selecting accounts in which the debit side is the larger, or he may make up ledger accounts for a few statements.

### COMPARING THE CHECK BOOK WITH THE MONTHLY BANK STATEMENT

Observe the following suggestions:

1. Arrange the canceled checks for the month in the order of their numbers.

2. Compare each canceled check with the corresponding stub; if they agree as to the number, the date, the amount, to whom given and for what purpose, place a large check mark on the stub. This check mark indicates that the check has been returned.

3. If all the stubs are checked, the balance shown by the check book will agree with the balance shown by the monthly bank statement, if no other charges have been made.

4. If the balances do not agree, find the total of the stubs not checked. This sum should equal the difference between the check book and the balance shown by the monthly bank statement.

NOTE. If at the time of making this comparison any outstanding checks of a previous month have been returned, they must be checked with the stubs from which they were detached.

### BILLS OF LADING

As a means of serving the convenience of both the shippers and the railway companies, the Interstate Commerce Commission approved a uniform bill of lading, for general use, June 27, 1908. This approval applies to two forms of the bill of lading as follows: the *straight* bill of lading and the *order* bill of lading.

In this discussion only the straight bill of lading is considered.

Uniform Bill of Lading—Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1906

THE COMMERCIAL TRANSPORTATION CO.

STRAIGHT BILL OF LADING—ORIGINAL—NOT NEGOTIABLE

Shipper's No. _____

Agent's No. _____

RECEIVED, subject to the classifications and tariffs in effect on the date of issue of this Original Bill of Lading,

at Springfield, Mass. July 5, 19—

from C. H. Williams the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof) and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from _____

to _____ is in Cents per 100 lbs.										IF Special	IF Special
IF Times 1st	IF 1st Class	IF 2d Class	IF Rule 25	IF 3d Class	IF Rule 26	IF Rule 28	IF 4th Class	IF 5th Class	IF 6th Class	Per	Per

(Mail address—Not for purposes of Delivery)

Consigned to Jas. H. Masten & Co.

Destination Buffalo State of N. Y. County of _____

Route _____ Car Initial _____ Car No. _____

NO. PACKAGES	DESCRIPTION OF ARTICLES AND SPECIAL MARKS	WEIGHT (Subject to Correction)	CLASS OR RATE	CHECK COLUMN	If charges are to be prepaid, write or stamp here, "To be prepaid."
<u>100</u>	<u>Roman Chairs</u>	<u>1000</u>			
<u>100</u>	<u>Fancy Rockers</u>	<u>2000</u>			
<u>50</u>	<u>Cedar Chests</u>	<u>1750</u>			

Received \$ _____ to apply in prepayment of the charges on the property described hereon.

Agent or Cashier

Per _____ (The signature here acknowledges only the amount prepaid)

Charges Advanced \$ _____

C. H. Williams Shipper Geo. M. Lintz Agent  
Per _____ Per _____

(This Bill of Lading is to be signed by the shipper and agent of the carrier (issuing same))

MODEL BILL OF LADING

This model shows a bill of lading made out properly by the shipper. Those blank spaces which are not filled out in the model may be filled out by the representative of the railroad, if the circumstances of the particular shipment call for such information being shown

For use in connection with the Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908

THE COMMERCIAL TRANSPORTATION CO.

THIS MEMORANDUM

is an acknowledgment that a Bill of Lading has been issued and is not the Original Bill of Lading, nor a copy or duplicate, covering the property named herein, and is intended solely for filing or record.

Shipper's No. _____

Agent's No. _____

RECEIVED, subject to the classifications and tariffs in effect on the date of the receipt by the carrier of the property described in the Original Bill of Lading,

at Springfield, Mass. July 5, 19—

from C. H. Williams the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof) and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from _____

to _____ is in Cents per 100 lb.										IF Special	IF Special
IF Times 1st	IF 1st Class	IF 2d Class	IF Rule 25	IF 3d Class	IF Rule 26	IF Rule 28	IF 4th Class	IF 5th Class	IF 6th Class	Per	Per

MODEL MEMORANDUM (HEADING)



For use in connection with the Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908

### THE COMMERCIAL TRANSPORTATION CO.

#### THIS SHIPPING ORDER

must be legibly filled in, in ink, in indelible pencil, or in carbon, and retained by the agent.

Shipper's No. _____

Agent's No. _____

RECEIVE, subject to the classifications and tariffs in effect on the date of issue of this Shipping Order,

at Springfield, Mass. July 5, 19--  
 from E. H. Williams the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof) and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from _____

to _____ is in Cents per 100 lb.										IF Special	IF Special
IF Times 1st	IF 1st Class	IF 2d Class	IF Rule 25	IF 3d Class	IF Rule 26	IF Rule 28	IF 4th Class	IF 5th Class	IF 6th Class	Per _____	Per _____

#### MODEL SHIPPING ORDER (HEADING)

NOTE. Bills of lading were lacking in uniformity until a final decision of the Interstate Commerce Commission regarding them was secured. Previous to this they were so varied in size and form as to occasion much confusion and a consequent loss of time.

To obviate these difficulties, business men appealed to the Interstate Commerce Commission to issue an order that would require a uniform bill of lading for all shipments.

This request resulted in many conferences between the shippers, the transportation companies, and the Commission, with the result shown in the form of the bill of lading here illustrated.

The straight bill of lading is drawn up in a set of three papers, duplicates being made by using carbons, as follows: the straight bill of lading, original; the memorandum, an acknowledgment that a bill of lading has been issued; the shipping order. *This form is not negotiable*, and must be printed on white paper. The shipping order is signed by the shipper only, while the others are signed by both the shipper and the agent of the railway company. The shipping order is left with the agent; the bill of lading is sent to the purchaser of the goods; the memorandum is retained by the seller. The goods may be delivered to the purchaser without his surrender of the bill of lading.

A *bill of lading* is a receipt of a transportation company, containing an account of the goods shipped and the conditions of shipment.

As the bill of lading is drawn up in triplicate, each party — the shipper, the transportation company, and the consignee — has an exact copy of the receipt.

Study the preceding model bill of lading and answer the following questions:

Who is the shipper? Who is the consignee of the goods named? What is done with the original copy? the memorandum? the shipping order? By whom is the bill of lading made out?



# KINDS OF NOTES

**Joint Note.** An individual note is a note in which one person is responsible for its payment. If in such a note the pronoun *we* were used in the body of the note, instead of *I*, and if it were signed by Samuel A. Long and George M. Watson, it would then be a joint note; both of the signers would be responsible jointly, not individually, for payment.

**Joint and Several Note.** If this same note should read *Ninety days after date we jointly and severally promise to pay*, and it were signed by Samuel A. Long and George M. Watson, it would then be called a *joint and several* note; each party, individually, would be responsible for its payment, or both parties, jointly, would be responsible.

It is a common practice in business for each member of a partnership to sign notes issued by the firm, thus making the notes of a partnership joint notes.

**Interest-Bearing Note.** If a note bears interest, it must be so stated in the note, and it is excellent business practice always to name the rate; that is, instead of writing *with interest*, write *with interest at 5%*.

If no rate of interest is stated in the body of the note, the legal rate is understood.

**Discount of Notes.** Holders of notes often wish to secure their payment before they are due, and many notes are offered for discount at banks. Generally the notes thus offered are non-interest-bearing, but notes that bear interest may be offered for discount. A person who sells a note to a bank must indorse it.

If a note for \$216.50, due Aug. 12, were offered by the holder, Arthur T. Young, for discount on June 13, and it was discounted by the bank, the holder would receive the face value of the note less the interest for the time between June 13 and the maturity of the note, Aug. 12, 60 da. In journal form the following would be the entry:

Cash	214.33	
Interest Paid	2.17	
Notes Receivable		216.50

The compensation received by the bank is the interest on the note for the time it has yet to run, — 60 da.

If an interest-bearing note is discounted by a bank, the entry by the holder is not the same as for a non-interest-bearing note.

Suppose you have an interest-bearing note dated March 1, at 60 da., for \$800, with interest at 6%.

In discounting this note the value at maturity, that is, the face plus the interest for 60 da., is the sum on which the discount is reckoned.

If this note is discounted March 31, make the following entry:

Cash	803.96	
Interest Paid	4.04	
Notes Receivable		800
Interest Earned		8

The credits are the face of the note and the interest for the full time, — in this note, 60 da. The discount, the time from March 31 to April 30 (30 da.), is the period for which the discount is reckoned.

The interest on \$800 for 60 da. at 6% is \$8; the sum of the face of the note and this interest is \$808. The interest on \$808 for 30 da. is \$4.04, and the cash received by the holder is \$803.96.

### Exercise 51. Discount of Notes

#### *For Written Work*

*Make the proper entries for discounting the following notes:*

1. A note dated Jan. 1, at 60 da., without interest, for \$300. Discounted on Feb. 1, at 6%.
2. A note dated April 1, at 2 mo., with interest, for \$600. Discounted on May 2, at 6%.
3. A note dated June 1, at 3 mo., without interest, for \$500. Discounted on July 24, at 6%.
4. A note dated May 26, at 30 da., without interest, for \$250. Discounted on May 26, at 6%.
5. A note dated March 1, at 2 mo., with interest, for \$420. Discounted on April 1, at 6%.

### PARTIAL PAYMENTS

When a part of the face value of a note is paid, it is called a *partial payment*. This amount is indorsed on the back of the note.

ILLUSTRATION. A note for \$1000 for 1 yr. is dated Jan. 1, 1918. On the back of this note are the following indorsements of partial payments:

Received 4/1/18, \$250

Received 7/1/18, \$200

The partial payments noted above would be journalized as follows:

April	1	Cash	250	
		Notes Receivable		250
July	1	Cash	200	
		Notes Receivable		200

If the *Notes Receivable* account were debited for \$1000, after posting the preceding entries the account would show the balance unpaid.

The above statement makes no reckoning of the interest whatsoever.

### Exercise 52. Partial Payments

#### *For Written Work*

*Indicate the correct indorsement, and make the proper entry for the following partial payments:*

1. A note for \$750 for 1 yr. was dated March 1, 1918. The following payments were made on this note: June 1, 1918, \$225; Sept. 1, 1918, \$150; Nov. 1, 1918, \$200.

2. A note for \$800 for 10 mo. was dated Feb. 16, 1918. The following payments were made on this note: May 1, 1918, \$250; Aug. 10, 1918, \$300; Oct. 1, 1918, \$150.

### RENEWAL OF NOTES

The renewal of notes is common in business. A man borrows a sum of money and issues his note. When this note becomes due, if he lacks funds to pay it, he may issue a new note for the original one and pay the interest on the original note in cash. When the original note was issued, the borrower would make the following entry:¹

Jan.	1	Cash	200	
		Notes Payable		200
		Borrowed of the First National Bank the sum of \$200, and gave my note at 2 mo., with interest.		

When the new note is issued he would make the following entry:

Mar.	1	Notes Payable	200	
		Notes Payable		200
		Note at 2 mo., with interest, given to the First National Bank to cancel the note of Jan. 1.		

The original note should be marked *Paid* in the notebook.

By this entry and record the books show that the original note has been disposed of and the new note has been entered as a complete and independent record.

¹ If interest is paid in advance, this entry would be modified.

If a partial payment had been made on the original note, the new note would be issued for the balance remaining unpaid.

Some bookkeepers mark the original note, in the notebook, as renewed and do not make any entry or additional record for the new note. This practice is open to the objection of making one note of a given date the record of another note of a different date. If a partial payment had been made on the original note, the practice of marking it as renewed is open to a still more serious objection; that is, the face of the new note is not the same as in the original note.

### TRADE DISCOUNT

Trade discount is a discount allowed from the published catalogue and list price which enables a concern to change the selling price by altering the trade discount rather than by changing the published price. Trade discount usually is deducted before the invoice cost is entered in the books. To illustrate, the list price of an article may be \$25, less a trade discount of 60%, 10%, and 5%. The actual invoice cost, the amount at which it is entered in the books, is \$8.55, obtained as follows: \$25 (list price) less 60% = \$10; \$10 less 10% = \$9; \$9 less 5% = \$8.55, the selling price of the article.

If it became necessary to increase the selling price to \$9, the list price of \$25 may be retained, but the percentages of the trade discount changed to 60% and 10%.

### Exercise 53. Discounts

#### *For Written Work*

1. The catalogue price of an article is \$50; the trade discount is 40%, 20%, 10%, and 5%. What is the invoice cost?
2. What would be the invoice cost of the article in problem 1 if the trade discount were changed to 40%, 20%, 5%, and  $2\frac{1}{2}\%$ ?
3. The trade discount allowed on an article listed at \$6.50 is 75%, 20%, 10%, 2%, and  $\frac{1}{2}\%$ . What is the invoice cost of the article?
4. What would be the invoice cost of the article in problem 3 if the trade discount were changed to 75%, 20%, 10%, and 5%?

Merchandise discount, allowed on an invoice for payment within a specified time, should not be confused with trade discount. If both trade discount and merchandise discount were allowed upon a purchase, the merchandise discount is calculated upon the invoice cost, after the trade discount has been deducted.

5. What would be the merchandise discount in problem 1 if the terms were 3/10, and the invoice were paid within the specified 10 da.?

## CHAPTER XVII

### COMMERCIAL DRAFTS (CONTINUED)

**Sight Drafts.** On preceding pages sight drafts are discussed. Because of their importance a review of those pages is suggested, and then the following exercises may be worked out.

#### Exercise 54. Review of Sight Drafts

##### *For Written Work*

1. On May 6 you drew a sight draft on Warren & Son, in your own favor, for \$325.

a. Make your entry and the necessary explanations. It is assumed that the draft was paid when presented. Make Warren's entry.

2. On May 10 you drew a sight draft on Patterson & Co., Atlanta, Ga., for an invoice dated May 1, for \$165.20, in favor of yourself, and left it at your bank for collection.

a. Write the draft. Show the necessary indorsement.

b. Make the entry for each person when the draft is collected.

3. On May 15 you sold an invoice of merchandise to Geo. H. Powell, Cleveland, Ohio, amounting to \$125.50, subject to a sight draft in 10 da. On May 24 you left the draft at your bank for collection.

a. Trace the course of this draft until it is paid. Write the draft.

b. Make your entry when your bank reports that it has collected the amount of the draft.

c. Make Powell's entry when he paid the draft.

4. On May 20 you bought an invoice of goods of Thos. H. Head, Omaha, Nebr., amounting to \$450, subject to a sight draft in 10 da. On May 31 A. A. Lewis, of your city, presented a sight draft drawn on you, in his favor, by Thos. H. Head, for the amount of the invoice. The draft was paid by a check on The Union Bank.

a. Write the check.

b. Write the draft, and make the entry for each person.

If a sight draft was presented to the drawee, and payment, by request, was deferred for a number of days, it would be proper for him to accept the draft. After acceptance the sight draft may be treated as a time draft. Some states allow 3 da. of grace on sight drafts.



**Three-Party Time Drafts.** The following is an illustration of a time draft having three parties, and the required entry for each party:

\$320 ⁶⁴	Boston, Mass., July 6, 19—
Thirty days after date	Pay to the order of
William M. McKay	
Three hundred twenty ⁶⁴ / ₁₀₀	Dollars
Value received and charge to account of	
To E. W. Masten	
No. 12 Due 8/5/19 - New York	Fred W. Osgood & Co. per

**Method of Procedure in Handling this Draft.** The drawer writes the draft and mails it to the payee, who presents it to the drawee for acceptance. In the foregoing draft the date of maturity was not determined by the acceptance of E. W. Masten, and it was not absolutely necessary for William M. McKay to present the draft until it was due, and then only for payment; until the draft is accepted, there is no legal obligation on the part of Masten to pay it, so it would be unbusinesslike on the part of McKay not to present the draft for acceptance within a reasonable time after it was received.

When the foregoing draft is presented, Masten is not bound to accept it. However, if he does accept it, he is held for its payment the same as if he had written his promissory note for the amount.

**Manner of Accepting.** If the drawee is willing to meet a draft on him according to the conditions named therein, he writes the word *Accepted* and signs his name. This is generally done in red ink across the face of the draft, though the color of the ink has no particular significance.

In those states that allow days of grace on sight drafts it is necessary to have them accepted in the same manner as time drafts payable after sight, unless they are paid upon presentation.

To honor a sight draft is to *pay* it; to honor a time draft is to *accept* it or to *prepay* it.

**Analysis of Entries of Parties to a Time Draft.** Compare the foregoing draft with the sight draft previously explained. Osgood & Co. owe McKay, and Masten owes Osgood & Co. It is expected that Masten will accept the draft when it is presented to him by McKay.

**Drawers' Entry.** 1. F. W. Osgood & Co. have given William M. McKay value which, when accepted by E. W. Masten, is the same as Notes Receivable. Therefore they should debit McKay.



2. When Masten accepts the draft, he binds himself to pay one of Osgood & Co.'s debts. He is expected to honor the draft, and Osgood & Co. should therefore credit him, because by accepting the draft he cancels a debt to the amount of \$320.64.

Wm. M. McKay	320	64	
E. W. Masten			320 64
Drew a 30 da. draft on E. W. Masten and remitted it to W. M. McKay on acct.			

## F. V. OSGOOD &amp; CO.'S JOURNAL ENTRY

**Payee's Entry.** 1. The payee, William M. McKay, instead of receiving cash, as in the case of the sight draft, has received simply E. W. Masten's written promise to pay on a certain date. We have already learned that other people's written promises are debited to *Notes Receivable* when received.

2. As in the case of the sight draft, F. V. Osgood & Co. are responsible for McKay's getting the draft, and he should credit them.

Notes Rec.	320	64	
F. V. Osgood & Co.			320 64
Received their draft on E. W. Masten which has this day been accepted			

## WILLIAM M. MCKAY'S JOURNAL ENTRY

**Drawee's Entry.** 1. When E. W. Masten has accepted the foregoing draft, he has given the equivalent of his promissory note, and when one issues his promissory note he credits *Notes Payable*.

2. It is for F. V. Osgood & Co. that Masten has promised to be bound by this draft; therefore he should debit them.

F. V. Osgood & Co.	320	64	
Notes Pay			320 64
Accepted their 30 da. draft in favor of Wm. M. McKay			

## E. W. MASTEN'S JOURNAL ENTRY

**Draft Payable after Sight.** The entries for the following draft, after acceptance, are the same as the draft that is payable *after date*, but the acceptance *must* be dated:

\$250 ⁰⁰ / ₁₀₀	Boston, Mass., July 20, 19—
At ten days sight	
Pay to the order of	
D. M. Kenney & Co.	
Two hundred and fifty and ⁰⁰ / ₁₀₀ Dollars	
Value received and charge to account of	
To	W. H. Kenney & Co.
No. 17	Dated July 17, 19— Springfield, Mass.
	R. B. Kenney & Co. per M.

**Principles for Time Drafts.** From the preceding discussion of this subject the following general principles for entries for time drafts are deduced:

1. The *drawer's entry* when a time draft with three distinct parties is accepted is as follows:

Payee	|	Drawee
-------	--	--------

2. The *drawer's entry* when he receives his draft, drawn in his own favor, accepted, is as follows:

Notes Receivable	|	Drawee
------------------	--	--------

3. The *payee's entry* when he receives a time draft properly accepted is as follows:

Notes Receivable	|	Drawer
------------------	--	--------

4. The *drawee's entry* when he accepts a time draft is as follows:

Drawer	|	Notes Payable
--------	--	---------------

5. The *drawer's entry* when he draws a time draft on a second party in favor of himself, and the drawee, instead of accepting it, prepays it in cash, is as follows:

Cash	|	Drawee
Interest Paid	|	

6. The *drawee's entry* when he prepays a time draft, in cash, instead of accepting it, is as follows:

Drawer	|	Cash
	|	Interest Earned

\$ <u>500⁰⁰</u>	<u>Boston, Mass., July 15, 19—</u>
<u>Thirty days after date</u>	
Pay to the order of	
<u>Ourselves.</u>	
<u>Five hundred</u>	Dollars
Value received and charge to account of	
To <u>L. B. Wade &amp; Co.</u>	} <u>Quincy, Bradley &amp; Co.</u> per N.O.K.
No. <u>73</u> Due <u>8/14/19</u> <u>Westfield, Mass.</u>	

**Another Use of Time Drafts.** The ordinary time draft is sometimes used in connection with sales of merchandise. For instance, Quincy, Bradley & Co. sell L. B. Wade & Co. merchandise amounting to \$1305 on the following terms: 30-day draft for \$500, balance in 60 da.

A draft similar to the above is mailed with the bill:

The *object* of drawing a time draft in connection with a sale of merchandise is twofold:

1. When accepted, the draft serves as a written contract.
2. Since an acceptance is negotiable, it may be discounted and cash realized upon it before maturity.

**Necessary Entries for this Time Draft.** The sale will be recorded in the sales book. The entry will be made when the draft is returned accepted.

If this draft is discounted July 20, the date it is assumed they received it from L. B. Wade & Co. accepted, Quincy, Bradley & Co. will make the following cashbook records:

July 20	L. B. Wade & Co.	Dft recd. & disc'd	500	-
---------	------------------	--------------------	-----	---

LEFT SIDE

July 20	Interest Paid L. B. Wade & Co's draft	2 58
---------	---------------------------------------	------

RIGHT SIDE

**NOTE.** Some business men prefer two distinct entries for the above, as follows:

1. *Notes Receivable to L. B. Wade & Co.* for the acceptance received.
2. *Notes Receivable* on the left side of the cashbook, \$500, and *Interest Paid* on the right side for \$2.08, when the acceptance was offered for discount.

The making of the two distinct entries is recommended.

## Exercise 55. Time Drafts

*For Written Work*

SUGGESTION. These exercises may be used first orally.

1. On June 1 W. G. Gambée, Denver, Colo., drew on you at 45 days sight, in favor of Fred G. Mercier, of your city. Upon presentation, June 5, you accepted the draft. Face of the draft, \$500.

a. Write the draft and the acceptance.

b. Make the entry for each person.

2. You bought of R. H. Macey & Co., New York, 750 yd. Scotch gingham at 15¢, and received their 30-day draft dated June 4. This you accepted on June 6, for the amount of the invoice.

a. Write the draft and your acceptance.

b. Make your entry for the draft.

c. Make R. H. Macey & Co.'s entry when they received the draft accepted.

In the above it is assumed that R. H. Macey & Co. made one entry in their sales book at the time of shipping the goods, and another on the receipt of your acceptance; also that you entered the invoice in your purchase book, and made a journal entry when the draft was accepted.

3. You owed D. E. Smith, Seattle, Wash., \$275, due in 30 da., and F. C. Kirkman, of Seattle, owed you \$426.50, on account. You wrote a draft payable 30 da. after date, and sent it to Smith; he presented the draft to Kirkman, who accepted it. This canceled your debt to Smith.

a. Show the proper acceptance on the draft.

b. Make the entry for each person.

4. S. C. Davis, St. Louis, Mo., owed you \$500, due in 30 da. You needed the money at once, and drew a 30-day sight draft on him, in favor of yourself, and sent it to him. He accepted it and returned it to you. The draft was dated June 16, and the acceptance, June 18.

a. Write the draft and show the acceptance.

b. Make the entry for each person.

5. You drew a draft payable 30 da. after date on Frank H. Wilson, Trenton, N.J., in favor of yourself, for an invoice dated July 1, for \$210.50, and left it at the Traders National Bank for collection. The bank presented the draft, and it was duly accepted. At maturity the Traders National Bank collected the draft, deducted 25¢ for charges, and remitted the balance to you.

a. Write the draft and the indorsement. Show Wilson's acceptance and entry.

- b.** Make your entry when notified that the draft had been accepted.
- c.** Make your entry when you received the remittance.
- 6.** You drew a draft payable 10 da. after date on James B. Stillman, Louisville, Ky., in favor of yourself, for \$500, and sent it to Stillman for acceptance. The draft is dated July 6, and the acceptance, July 9. He returned the draft, and you held it until it was paid at maturity.
  - a.** Write the draft.
  - b.** Show the acceptance.
  - c.** Make the entry for each person after acceptance.
  - d.** Make the entry for each person at the time of payment.

### Exercise 56. Review of Time Drafts

#### *For Written Work*

- 1.** Paid by check Arthur S. Harrington's sight draft on you, dated Birmingham, Ala., Aug. 5, in favor of Horace C. Nelson, of your city, for \$425.
  - a.** Write the draft and the check.
  - b.** Make the entry for each party.
- 2.** On Feb. 2 Roger P. Mills, Oakland, Cal., accepted your draft at 60 days sight, dated Jan. 29, in favor of yourself, for \$900. The draft is payable at Alliance National Bank.
  - a.** Write the draft and show the acceptance.
  - b.** Show the maturity of the draft.
  - c.** Make the entry for each person when the draft was accepted.
  - d.** Make the entry for each person when the draft was paid at maturity.

**NOTE.** When the time of a note or a draft is expressed in months, calendar months (that is, without regard to the exact number of days in each month) are used to determine the date of maturity; but when the time is expressed in days, the exact number of days is used.

A note or a draft due two months from date matures on the corresponding day of the second following month, provided there is a sufficient number of days in that month to make this possible. If there is not, it is due on the last day of that particular month.

**EXAMPLE.** Notes and drafts dated Jan. 28, 29, 30, or 31, and payable one month after date, would each mature on Feb. 28, except in leap year; but if payable 30 da. after date, they would be due Feb. 27, 28, and March 1 and 2, respectively.

In most states the added day for leap years is not counted. For example, a note or a draft payable 30 da. after Feb. 25 in any leap year is due March 27, instead of March 26, as would be the case if the extra day were counted.

It is suggested that some member of the class should consult a local banker on these points, and then report to the class.

3. On Feb. 1 you sold F. B. Norton, Buffalo, N. Y., on his acceptance at 60 da., 150 doz. cotton hose at \$2.50. The draft drawn on the date of the sale, payable 60 da. after date, was received, accepted, on Feb. 5.

*a.* Write the draft and show the acceptance.

*b.* Make your entry for the draft.

4. On Feb. 6 you bought of the Mechanics National Bank, by check, a draft, No. 7521, on the Puritan National Bank, New York City, for \$96.24, and remitted it to S. G. Metzger & Co., Cincinnati, Ohio, in full of account. Exchange on draft, 10¢.

*a.* Write a check on the Mechanics National Bank to cover the draft and the exchange.

*b.* Write the New York draft. A. Turner, Cashier.

*c.* Make your entry.



## CHAPTER XVIII

### SET V. JOBBING FURNITURE BUSINESS

#### OPENING DOUBLE-ENTRY BOOKS

The ability to open a set of books is of special importance to every student of bookkeeping.

When business is begun with a simple cash investment, as has frequently been illustrated in the earlier pages of the text, the entry is easily understood.

In the present illustrative examples both assets and liabilities are used at the time the books are opened; hence it is well to state the principle which governs in these opening entries, as follows:

*Debit each asset, under its appropriate name, and credit the Proprietor for the total assets.*

*Credit each liability, under its appropriate name, and debit the Proprietor for the total liabilities.*

The student is requested to give special attention to the following exercise, as it illustrates the opening entries that will be used in subsequent sets.

The following example illustrates the opening of double-entry books when the Proprietor begins business with both assets and liabilities:

W. D. Fain began the Jobbing Furniture business July 1, with the following assets and liabilities:

Cash in drawer, \$2500  
Merchandise, stock on hand, \$1600  
Jas. R. Miley's note, \$500  
Real Estate, store lot, \$1000  
Building and Fixtures, inventory, \$4000  
Delivery Equipment, inventory, \$325  
Office Furniture, inventory, \$260  
The following owed him on account:  
    Wm. K. Duffy, \$1240  
    F. E. Bush, \$400  
    C. O. Bond, \$300  
He owed the following on account:  
    Ralph Dewey, \$400  
    Arthur Lehan, \$1600  
His note in favor of Chas. B. Hawley, \$1387

The following is the entry for these assets and liabilities:

Madison, Wis., July 1, 19—

		I, W. D. Fain, have this day begun the Jobbing Furniture business with the following assets and liabilities:		
C. B.	Cash		2500	
	Notes Receivable		500	
	Wm. K. Duffy		1240	
	F. E. Bush		400	
	C. O. Bond		300	
	Mdse. Inventory		1600	
	Real Estate		1000	
	Building and Fixtures		4000	
	Office Furniture		260	
	Delivery Equipment		325	
	W. D. Fain, Investment			12125
	To credit the amount of these assets to W. D. Fain's Investment account.			
	W. D. Fain, Investment		3387	
	Notes Payable			1387
	Ralph Dewey			400
	Arthur Lehan			1600
	To debit the amount of these liabilities to W. D. Fain's Investment account.			

The cash item should also appear on the left side of the cashbook as follows:

July	1	J.	W. D. Fain	Investment	2500			
------	---	----	------------	------------	------	--	--	--

NOTE. The cash item is checked *C. B.* in the journal because it has been placed to the debit of the *Cash* account by the above record.

*W. D. Fain's Investment* account has been checked *J.* in the cashbook because this item has been counted in determining the total assets in the journal.

### Exercise 57. Opening Double-Entry Books

#### *For Written Work*

On a sheet of journal paper or on paper ruled in journal form make entries for the following:

1. Chas. R. Osgood began the Furniture business July 1, with the following assets and liabilities:

Cash in drawer, \$1700  
Deposit in The Union Bank, \$954.20  
Chas. R. Dean's note, \$500  
Merchandise, stock on hand, \$2600  
The following owed him on account :  
    A. B. Knowlton, \$1200  
    George K. Brown, \$150  
He owed the following on account :  
    Foster, Hills & Co., \$250  
    Traver, Bowe & Co., \$300  
His note in favor of M. B. Hanway, \$600

**2. James B. Ellis** began business July 1, with the following assets and liabilities :

Cash in drawer, \$2000  
Deposit in The Union Bank, \$876.45  
Merchandise, stock on hand, \$1300  
F. M. Everett's note, \$1200  
Office Furniture, inventory, \$130  
Delivery Equipment, 1 auto truck, \$650  
Real Estate, lot at 1625 Main St., \$900  
Building and Fixtures, inventory, \$3600  
The following owed him on account :  
    E. T. Rose, \$145.60  
    M. M. Parsons, \$236.75  
Daniel F. Mack's note, \$425  
He owed the following on account :  
    Geo. L. Works, \$212  
    A. C. Moore, \$87.65  
His note in favor of H. C. Baker, \$250

**3. Howard A. Johnson** began business July 1, with the following assets and liabilities :

Cash in drawer, \$1750  
Deposit in The Union Bank, \$1278.50  
Merchandise, stock on hand, \$3875.40  
He held notes against the following :  
    John S. Gray, \$625  
    A. S. Coleman, \$450  
Real Estate valued at \$1000  
Building and Fixtures, inventory, \$4000  
His note in favor of W. A. Brown, \$516.50  
He owed the following on account :  
    Samuel B. Lewis, \$265  
    French & Co., \$376.40  
Office Furniture, inventory, \$130

## PRELIMINARY EXPLANATIONS

**Object of the Set.** This set is designed to illustrate the Jobbing Furniture business. A variety of advanced business forms is illustrated and explained, and a new book of record is used. The transactions deal largely with commercial paper, and the actual handling of money is avoided as far as possible. Notes, drafts, and acceptances, and the relations existing between the parties connected therewith, are made a prominent feature of the work.

**Books Used.** In addition to the books with which the student is already familiar, the notebook is introduced.

**Notebook.** This book is used for recording memoranda regarding all notes or acceptances which are received by the business, or which are issued by the business. It is generally divided into two parts, one for notes receivable and the other for notes payable. When notes or acceptances are received or issued, a full description of the paper

## NOTES

No.	DRAWEE OR MAKER	DRAWER OR INDORSER	FOR WHAT RECEIVED	WHERE PAYABLE	DATE			
					Received		Drawn	
1	J. B. Maxwell		On account	Union Bank	July	1	June	30
2	W. D. Rimbach	J. B. Topham	On account	Union Bank		1		9
3	Walker, Brown & Co.	Student's name	Inv. July 8				July	8

## NOTES

No.	TO WHOM PAYABLE	FOR WHOSE ACCOUNT	FOR WHAT ISSUED	WHERE PAYABLE	DATE			
					Accepted		Drawn	
1	Allen & Bailey Furn. Co.		In full of acct.	Union Bank			June	25
2	C. O. Boswell	C. O. Boswell	In full of acct.	Union Bank	June	25		20
3	Derby Mfg. Co.	Derby Mfg. Co.	Inv. July 9	Union Bank	July	9	July	9

should be recorded in the notebook. This book should exhibit the same balances as the *Notes Receivable* and the *Notes Payable* accounts in the ledger.

The *model notebook* given below is self-explanatory. Care should be taken to record in the proper columns the information called for. Complete records for the first three notes receivable and notes payable for the month of July are properly entered in this model.

NOTE. The amounts in the model notebook are for price list No. 1 (page 200).

**Purchase Book.** All invoices of goods purchased will be recorded in the purchase book.

Record each invoice when received, always at its *face* value, as no discount allowances will appear on the invoice itself, and then file the bill in the *filing envelope*. On the outside of this envelope full instructions are printed.

The closing and the posting will be explained at the end of July.

## RECEIVABLE

TIME	DATE DUE		AMOUNT	DATE DIS-COUNTED		DATE SENT TO COLLECT		DATE PAID		HOW PAID	REMARKS
20 da.	July	20	Int. 500			July	18	July	20	Paid at bank	
30 da.		9	450				8		9	Paid at bank	
30 da.	Aug.	7	883				8	Aug.	8	Paid at bank	

## PAYABLE

TIME	DATE DUE		AMOUNT	DATE PAID		HOW PAID	REMARKS
1 mo.	July	25	Int. 2500	July	25	By check	
30 da. sight		25	1000		25	By check	
10 da. sight		19	1376 90		19	By check	

**Cashbook.** In the cashbook for this set (see below), columns are provided on the debit side for *Net Cash*, *Discount on Sales*, *Accounts Receivable*, and *General*. All cash received is entered in the *Net Cash* column; if the amount is *not* for merchandise sold, extend the amount to the *General* column; if the amount is for merchandise sold, the discount on the invoice is entered in the *Discount on Sales* column; then the sum of the net cash and sales discount is entered in the *Accounts Receivable* column.

Columns are provided on the credit side for *Net Cash*, *Discount on Purchases*, *Accounts Payable*, and *General*. All cash paid is entered in the *Net Cash* column; if the amount is *not* for merchandise purchased, extend the amount to the *General* column; if the amount is for merchandise purchased, the discount on the invoice is entered in the *Discount on Purchases* column; then the sum of the net cash and purchase discount is entered in the *Accounts Payable* column.

When proving cash, use only the *Net Cash* column on either side.

This is a self-balancing cashbook, as the sum of the first and second columns on either side should equal the sum of the third and fourth columns.

*Post* all amounts from the *Accounts Receivable*, *Accounts Payable*, and *General* columns in the usual manner.

### Cash Received, July, 19—

Date	F.			Net Cash		Disc. on Sales		Accts. Rec.		General
July	1	J. H. Sampson	Investment	6000						6000
	8	J. E. Bender	Inv. 7/7, less 3%	1169	09	36	16	1205	25	
	12	C. W. Gray	Inv. 7/5	1240	10			1240	10	
	16	Notes Rec.	Morgan's note	560						560
	20	Int. Earned	On above	5	60					5 60
	25	C.O.D. Accts.	C. B. Moore	50				50		
	30	J. O. Brown	Inv. 6/12, less 1%	1247	40	12	60	1260		
<div style="border: 1px solid black; width: 100%; height: 100%; transform: rotate(-45deg); position: absolute; top: 0; left: 0;"></div>				10272	19	48	76	3755	35	6565 60
				①		⑥				
				3667	09					3667 09
Aug.	1	✓	Balance							In bank



Under *Cash Received* post the total of the *Net Cash* column to the debit of *Cash* in the ledger, and the footing of the *Discount on Sales* column to the debit of *Merchandise Discount on Sales* in the ledger.

Under *Cash Paid* post the total of the *Net Cash* column to the credit of *Cash* in the ledger, and the total of the *Discount on Purchases* column to the credit of *Merchandise Discount on Purchases* in the ledger.

The figure in the circle, just below the column footing, indicates the ledger folio.

When the cash balance is carried forward for a succeeding month, enter it in the *Net Cash* and *General* columns, under *Cash Received*, and draw a light line underneath the amount in each column. This balance must be used in proving cash, but it must not be used in footing either the *Net Cash* or the *General* columns.

**Selling Price Lists.** Twenty-five selling price lists are available for this set, and each one may be used in connection with the business forms, whether business practice is used or not. (See pages 200-203.)

Let the instructor assign to each student a price list, and if business practice is used, he should be given the necessary blank forms.

**Buying Price List.** The prices at which merchandise is bought in this set are given in the list on page 204.

## Cash Paid, July, 19—

Date	F.			Net Cash	Disc. on Purch.	Accts. Pay.	General
July	1 6	Rent Paid	For July	150			150
	1 3	Office Furn.	Office safe	250			250
	1 7	Insurance	Premium	120			120
	3 3	J. O. Moran	Sight draft paid	200		200	
	6 4	Bates & Co.	Inv. 7/6, less 2%	1176	24	1200	
	9 4	Allen & Co.	Inv. 7/6, less 2%	852	60 17 40	870	
	16 8	Sund. Gen. Exp.	Telegram	1			1
	16 8	Office Supplies	Stationery	4 50			4 50
	18 3	Notes Pay.	Accept. favor King	900			900
	20 5	J. K. Levy	Sight draft paid	1100		1100	
	21 5	Stoddard & Co.	Inv. 7/10, less 2%	1176	24	1200	
	23 3	Notes Pay.	Favor E. C. Ellis	500			500
	23 8	Interest Paid	On above	5			5
	26 7	Salaries	For the mo.	160			160
	27 7	Fr't & Cart. Out	For the mo.	10			10
				6605	10 65 40	4570	2100 50
				①	④		

## SELLING PRICE LISTS FOR JULY, AUGUST, AND SEPTEMBER

ARTICLE AND DESCRIPTION		1	2	3	4	5
No. 3116	Antique Card Table . . .	\$19.75	\$13.50	\$15.00	\$17.50	\$24.00
" 2546	Antique Library Rocker . .	12.00	20.25	11.75	22.00	13.50
" 693	Antique Wardrobe . . .	25.75	27.50	29.50	28.75	22.90
	Blue Chenille Curtain . . .	5.00	5.00	5.00	5.00	5.00
" 16 B	Brass Easel . . . . .	15.00	15.00	11.75	13.00	12.00
" 635	Brass Bedstead . . . . .	22.50	24.00	21.50	23.00	21.69
" 15	Cane-seat Dining Chair . .	2.25	1.85	1.75	2.22	2.69
" 59 A	Cheval Glass . . . . .	21.25	21.99	22.00	20.50	19.75
" 71 A	Child's Crib . . . . .	15.75	9.50	16.79	15.65	18.50
" 10	China Closet . . . . .	25.00	24.50	39.00	19.90	14.50
" 20	Corner Chair . . . . .	26.00	26.00	26.00	26.00	26.00
" 245	Cedar Chest . . . . .	11.00	19.00	9.50	9.65	6.25
" 16 A	Complete Dining-room Set .	110.00	98.00	90.50	110.00	95.00
" 572	Drawing-room Suite . . .	100.00	152.25	175.00	125.00	92.50
" 170	English Clothes Pole . . .	5.50	4.10	3.60	3.15	3.15
" 5932	Empire Toilet Table . . .	50.00	39.75	33.75	39.75	27.00
" 3016	Fancy Rocker . . . . .	10.00	10.00	10.00	8.50	9.75
" 36 B	Gentleman's Chiffonier . .	10.00	9.00	17.25	22.50	15.90
" 6387	Hall Settle . . . . .	23.25	19.25	21.00	22.00	17.75
" 16 K	Leather-seat Dining Chair .	9.50	9.00	7.50	9.50	8.00
" 169 C	Library Table . . . . .	25.00	23.75	21.50	15.00	39.00
" 91	Lace Curtain . . . . .	6.00	6.00	6.00	6.00	6.00
" 16	Lady's Dressing Cabinet . .	40.00	23.50	35.00	39.50	38.50
" 835	Music Cabinet . . . . .	5.00	9.00	10.00	6.00	3.00
" 50	Mahogany Parlor Table . .	21.25	20.00	19.25	15.00	12.50
" 626	Mahogany Office Chair . .	16.50	17.25	19.00	13.50	11.75
" 396	Mahogany Hall Stand . . .	65.00	65.00	65.00	65.00	65.00
" 89	Mahogany Chamber Set . .	80.00	75.00	112.50	60.00	149.50
" 1008	Oak Sideboard . . . . .	195.00	145.00	135.00	120.00	117.50
" 2229	Oak Dining Table . . . . .	12.25	12.00	10.00	15.00	12.75
" 73	Oak Writing Desk . . . . .	10.00	14.75	18.50	15.00	11.50
" 68	Oak Bookcase . . . . .	9.75	9.75	9.75	9.75	9.75
" 76 A	Oak Chamber Set . . . . .	14.25	14.25	14.25	14.25	14.25
" 687	Ornamental Table . . . . .	5.25	12.00	10.00	9.50	4.50
" 20 D	Parlor Cabinet . . . . .	37.00	43.50	50.00	65.00	35.00
" 821	Parlor Lamp . . . . .	16.00	10.00	9.50	7.50	11.50
" 176 C	Piano Chair . . . . .	17.00	9.00	6.00	9.50	13.00
" 57	Reclining Couch . . . . .	28.00	21.00	21.50	17.50	14.50
" 17 A	Roman Chair . . . . .	18.75	18.75	18.75	18.75	18.75
" 73	Sofa Bed . . . . .	38.00	15.50	19.75	20.00	21.00
" 5926	Secretary Book Cabinet . .	92.00	137.50	139.50	75.00	65.00
" 65	Turkish Rocker . . . . .	24.75	22.00	25.00	15.00	18.00
" 27 C	Woven-wire Mattress . . .	3.25	3.00	2.50	4.00	5.00
" 16	Wool Mattress . . . . .	4.00	3.00	3.00	2.75	2.90
" 495	White Iron Bedstead . . .	5.00	4.00	5.00	5.50	6.50

## SELLING PRICE LISTS FOR JULY, AUGUST, AND SEPTEMBER

6	7	8	9	10	11	12	13
\$19.00	\$16.50	\$20.50	\$23.20	\$24.00	\$15.00	\$18.50	\$19.50
12.25	17.00	22.00	13.25	12.00	19.25	26.00	27.25
24.50	26.75	28.00	29.00	27.50	29.50	24.00	30.00
5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
13.50	12.25	14.00	14.50	17.00	11.00	12.75	14.75
22.00	23.50	22.50	20.00	21.50	21.75	22.25	23.25
2.10	2.45	1.90	2.45	2.50	1.80	2.20	2.00
21.00	21.25	22.00	22.50	19.00	20.50	21.50	19.50
15.00	12.70	14.50	13.75	10.40	12.70	18.00	18.50
24.00	26.50	17.75	19.50	14.00	12.80	32.50	24.50
26.00	26.00	26.00	26.00	26.00	26.00	26.00	26.00
11.50	9.75	10.00	9.50	7.75	16.00	15.50	12.50
105.00	97.50	112.50	95.00	100.00	90.00	94.50	110.00
97.50	100.00	115.00	102.50	92.50	120.00	135.00	137.50
4.00	5.20	3.65	3.00	4.25	5.00	5.25	3.50
32.50	50.00	40.00	42.50	35.00	27.50	27.00	36.50
8.00	10.00	8.50	9.00	9.50	8.25	9.25	10.25
15.00	12.50	13.50	17.50	16.00	11.50	12.50	22.00
17.50	23.25	21.00	17.75	22.50	19.75	18.50	17.00
9.00	7.20	8.50	7.50	8.40	9.50	8.00	7.00
23.50	25.00	27.50	29.00	31.00	32.50	22.50	19.00
6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
35.00	25.00	27.00	33.50	38.00	25.00	34.00	39.20
5.50	6.00	5.00	7.00	6.50	9.00	10.00	8.75
20.00	21.25	19.50	13.00	15.50	17.50	19.25	15.00
15.00	12.60	16.40	14.50	18.50	17.00	15.00	11.50
65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
95.00	140.00	87.50	90.00	100.00	75.00	110.00	105.50
150.00	125.00	145.00	120.00	135.00	137.50	120.00	160.00
12.00	16.00	10.50	13.25	11.00	13.20	11.00	13.20
13.00	17.50	11.00	14.00	10.50	12.40	18.00	17.00
9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25
6.50	7.00	5.00	4.50	8.00	7.50	9.00	10.00
40.00	37.50	50.00	52.50	60.00	62.00	65.00	63.50
8.00	7.50	12.50	15.00	13.50	12.00	10.50	14.00
10.00	12.00	14.50	9.50	8.50	13.00	11.00	9.50
20.00	27.00	18.00	14.50	16.20	15.90	21.50	25.00
18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75
22.00	35.00	21.20	24.60	30.50	22.70	16.25	28.00
100.00	96.00	125.00	132.50	91.50	124.00	110.00	112.50
21.00	16.25	14.75	24.20	18.75	19.40	22.50	23.00
3.50	4.00	3.75	4.50	5.00	5.50	2.50	3.25
3.00	4.00	2.90	3.25	2.70	3.20	4.00	3.00
5.00	4.00	6.00	4.50	5.25	6.25	4.25	6.20

## SELLING PRICE LISTS FOR JULY, AUGUST, AND SEPTEMBER

ARTICLE AND DESCRIPTION		14	15	16	17
No. 3116	Antique Card Table . . . . .	\$21.60	\$13.50	\$16.50	\$20.00
" 2546	Antique Library Rocker . . . . .	11.50	18.00	26.00	17.50
" 693	Antique Wardrobe . . . . .	25.00	26.00	25.00	27.50
	Blue Chenille Curtain . . . . .	5.00	5.00	5.00	5.00
" 16 B	Brass Easel . . . . .	12.50	16.00	13.00	15.00
" 635	Brass Bedstead . . . . .	21.00	20.50	24.00	21.50
" 15	Cane-seat Dining Chair . . . . .	1.75	1.95	2.00	2.90
" 59 A	Cheval Glass . . . . .	23.00	23.50	21.50	24.25
" 71 A	Child's Crib . . . . .	16.75	16.40	15.75	17.25
" 10	China Closet . . . . .	27.50	30.00	25.00	33.60
" 20	Corner Chair . . . . .	26.00	26.00	26.00	26.00
" 245	Cedar Chest . . . . .	14.25	10.75	11.20	15.00
" 16 A	Complete Dining-room Set . . . . .	88.50	94.25	106.00	91.50
" 572	Drawing-room Suite . . . . .	96.50	99.50	152.25	125.00
" 170	English Clothes Pole . . . . .	3.60	4.20	4.30	5.40
" 5932	Empire Toilet Table . . . . .	34.00	28.50	40.00	37.50
" 3016	Fancy Rocker . . . . .	10.00	9.75	8.00	9.50
" 36 B	Gentleman's Chiffonier . . . . .	20.00	21.50	16.40	21.20
" 6387	Hall Settle . . . . .	17.50	20.00	17.50	19.00
" 16 K	Leather-seat Dining Chair . . . . .	8.75	9.50	9.50	7.70
" 169 C	Library Table . . . . .	25.00	35.00	25.50	23.00
" 91	Lace Curtain . . . . .	6.00	6.00	6.00	6.00
" 16	Lady's Dressing Cabinet . . . . .	32.00	30.00	34.00	31.50
" 835	Music Cabinet . . . . .	4.50	7.00	5.50	7.00
" 50	Mahogany Parlor Table . . . . .	21.00	18.00	20.00	17.50
" 626	Mahogany Office Chair . . . . .	12.00	15.50	12.50	14.50
" 396	Mahogany Hall Stand . . . . .	65.00	65.00	65.00	65.00
" 89	Mahogany Chamber Set . . . . .	112.50	125.00	85.00	142.00
" 1008	Oak Sideboard . . . . .	150.00	130.00	125.00	147.50
" 2229	Oak Dining Table . . . . .	14.00	12.50	12.50	14.90
" 73	Oak Writing Desk . . . . .	15.50	16.50	13.75	17.50
" 68	Oak Bookcase . . . . .	9.75	9.75	9.75	9.75
" 76 A	Oak Chamber Set . . . . .	14.25	14.25	14.25	14.25
" 687	Ornamental Table . . . . .	9.50	8.50	10.00	7.50
" 20 D	Parlor Cabinet . . . . .	45.00	47.50	50.00	43.50
" 821	Parlor Lamp . . . . .	16.00	10.00	8.25	10.50
" 176 C	Piano Chair . . . . .	7.00	10.00	9.50	13.00
" 57	Reclining Couch . . . . .	27.50	20.50	21.40	27.90
" 17 A	Roman Chair . . . . .	18.75	18.75	18.75	18.75
" 73	Sofa Bed . . . . .	16.00	19.75	22.50	31.50
" 5926	Secretary Book Cabinet . . . . .	75.00	65.00	80.00	90.00
" 65	Turkish Rocker . . . . .	20.00	23.75	22.00	16.60
" 27 C	Woven-wire Mattress . . . . .	4.20	2.50	2.75	3.45
" 16	Wool Mattress . . . . .	2.90	3.00	2.90	4.00
" 495	White Iron Bedstead . . . . .	5.50	4.70	4.90	4.40

## SELLING PRICE LISTS FOR JULY, AUGUST, AND SEPTEMBER

18	19	20	21	22	23	24	25
\$15.20	\$22.00	\$21.50	\$24.00	\$23.50	\$18.00	\$19.50	\$22.50
22.00	16.00	24.00	19.00	28.20	21.60	26.40	30.00
26.00	24.00	29.00	28.00	22.50	27.50	22.90	25.00
5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
15.40	11.50	14.20	16.25	13.25	12.00	13.40	14.50
20.00	23.00	21.00	21.40	23.50	21.75	22.25	20.50
1.80	2.30	1.90	2.40	2.50	1.70	1.95	2.25
23.00	20.00	19.00	19.50	23.50	19.75	22.00	22.50
15.40	10.70	12.40	13.75	16.20	9.90	11.75	12.90
37.50	17.50	18.50	26.70	24.90	23.20	15.00	17.20
26.00	26.00	26.00	26.00	26.00	26.00	26.00	26.00
7.50	6.75	8.90	14.20	18.00	12.60	13.75	14.50
96.40	100.00	89.50	92.00	98.00	97.50	109.20	107.00
100.00	160.00	142.50	94.50	102.50	99.50	110.00	120.00
3.90	3.75	4.60	4.40	5.50	4.20	3.10	3.35
27.50	35.00	29.50	33.50	28.00	35.50	45.00	50.00
10.00	9.75	8.50	9.25	10.50	8.25	10.25	9.00
22.00	23.00	15.40	13.90	12.50	9.90	10.50	11.80
21.00	22.50	23.25	20.00	19.75	17.75	20.50	23.00
6.45	9.20	8.80	7.60	9.30	9.50	8.50	9.00
27.00	22.50	30.00	31.50	28.00	21.00	17.50	35.00
6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
24.50	23.90	26.20	32.00	39.00	37.50	39.00	40.00
9.50	8.00	5.00	10.00	8.50	6.50	4.50	7.50
16.00	19.25	15.50	18.50	21.25	17.00	16.25	20.50
16.00	17.20	11.70	19.20	18.60	17.50	13.30	14.75
65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
130.00	117.50	94.40	97.50	124.00	101.75	109.00	114.20
122.50	165.00	175.00	127.50	162.50	180.00	187.50	190.00
16.20	12.75	10.80	11.40	13.65	14.75	11.50	10.50
14.65	11.50	10.80	13.75	15.60	18.50	17.90	15.60
9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25
9.50	8.25	7.75	9.20	11.00	10.50	7.20	6.50
32.50	28.20	31.50	43.50	52.00	57.50	60.00	35.50
9.75	12.25	11.50	13.20	8.75	7.50	11.20	14.25
14.20	15.00	12.50	9.60	7.80	10.50	15.25	16.00
24.20	21.00	25.20	14.90	13.80	17.60	20.50	26.75
18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75
23.90	17.70	16.90	26.25	27.50	19.40	20.00	22.50
88.40	97.50	101.00	74.20	81.80	135.00	127.50	92.20
15.50	24.80	16.75	23.90	22.60	23.20	18.80	17.90
4.15	3.65	4.40	5.25	4.80	3.90	3.35	4.15
3.80	2.95	3.90	3.25	3.15	3.65	3.00	4.00
6.60	4.25	5.35	6.40	6.60	5.25	5.10	4.75



## BUYING PRICES FOR JULY, AUGUST, AND SEPTEMBER

ARTICLE AND DESCRIPTION		
No. 3116	Antique Card Table . . . . .	\$14.50
" 2546	Antique Library Rocker . . . . .	9.00
" 693	Antique Wardrobe . . . . .	21.75
	Blue Chenille Curtain . . . . .	4.00
" 16 B	Brass Easel . . . . .	12.50
" 635	Brass Bedstead . . . . .	15.75
" 15	Cane-seat Dining Chair . . . . .	1.50
" 59 A	Cheval Glass . . . . .	15.25
" 71 A	Child's Crib . . . . .	11.50
" 10	China Closet . . . . .	17.25
" 20	Corner Chair . . . . .	20.00
" 245	Cedar Chest . . . . .	8.50
" 16 A	Complete Dining-room Set . . . . .	78.00
" 572	Drawing-room Suite . . . . .	75.00
" 170	English Clothes Pole . . . . .	3.50
" 5932	Empire Toilet Table . . . . .	39.00
" 3016	Fancy Rocker . . . . .	7.50
" 36 B	Gentleman's Chiffonier . . . . .	7.50
" 6387	Hall Settle . . . . .	16.50
" 16 K	Leather-seat Dining Chair . . . . .	6.50
" 169 C	Library Table . . . . .	20.00
" 91	Lace Curtain . . . . .	4.50
" 16	Lady's Dressing Cabinet . . . . .	30.00
" 835	Music Cabinet . . . . .	4.00
" 50	Mahogany Parlor Table . . . . .	15.25
" 626	Mahogany Office Chair . . . . .	12.50
" 396	Mahogany Hall Stand . . . . .	43.00
" 89	Mahogany Chamber Set . . . . .	60.00
" 1008	Oak Sideboard . . . . .	150.00
" 2229	Oak Dining Table . . . . .	9.75
" 73	Oak Writing Desk . . . . .	7.50
" 68	Oak Bookcase . . . . .	7.50
" 76 A	Oak Chamber Set . . . . .	11.00
" 687	Ornamental Table . . . . .	4.00
" 20 D	Parlor Cabinet . . . . .	25.00
" 821	Parlor Lamp . . . . .	13.00
" 176 C	Piano Chair . . . . .	12.50
" 57	Reclining Couch . . . . .	21.00
" 17 A	Roman Chair . . . . .	15.00
" 73	Sofa Bed . . . . .	30.00
" 5926	Secretary Book Cabinet . . . . .	65.00
" 65	Turkish Rocker . . . . .	18.00
" 27 C	Woven-wire Mattress . . . . .	1.75
" 16	Wool Mattress . . . . .	2.25
" 495	White Iron Bedstead . . . . .	3.75



## WORK FOR JULY

**Incoming Business Forms for July.** A tablet, separate from the text, containing all the incoming business forms, is available for writing this set when business practice is used. A list of the forms is given, so that the text affords all material for writing the set if business practice is omitted. These forms also afford an opportunity for the study of the set as a whole before writing it, thus meeting a requisite for adequate drill work, whether business forms are used or not. The text is complete in itself.

The list of incoming business forms for July is given on pages 205-207. If the set is written without using the tablet of printed incoming forms, it will be necessary for the student to prepare them before he begins to write the set.

After these forms are written they should be placed in the envelope marked *Incoming Business Forms*, and withdrawn as they are needed when writing the set.

Whatever plan the instructor may adopt, either using business practice or writing the set as a study of the theory of bookkeeping only, this material is immediately at hand for reference, for class drills and discussion, for reviews during the progress of the set or when the set is finished.

This plan of the text does away with the necessity of using a pad of vouchers which are wholly independent of the text.

In all the following invoices the student, as proprietor, is represented as the purchaser.

**Form 1.** Note of J. B. Maxwell, dated City, June 30, drawn in your favor, payable at The Union Bank 20 da. after date, with interest at 6%, \$500.

**Form 2.** J. B. Topham's draft, in his own favor, on W. D. Rimbach, City, transferred to you by full indorsement. Draft is for \$450 and is dated City, June 9, payable at The Union Bank, 30 da. after date.

**Form 3.** Bill of Thorp, Martin & Thorp, dated 798 Franklin St., City, July 1. Terms: cash, less 2%. Items as follows:

4 M Letterheads at \$2	1 Ledger, \$6
2 M Envelopes at \$1.50	1 Journal, \$3
1 M Billheads, \$2	1 Cashbook, \$3.50
2 gro. Steel Pens at 75¢	1 Sales Book, \$3
1 qt. Writing Fluid, 75¢	1 Notebook, \$1.50
1 doz. Pencils, 30¢	1 Purchase Book, \$1

Deduct the discount on the bill and receipt it.

**Form 4.** Invoice of Cobb, Bates & Co., dated 62 Portland St., City, July 6.  
Terms: 3/10, net 30 da. Items as follows:

9 #5932 Empire Toilet Tables	10 #76 A Oak Chamber Sets
12 #36 B Gentleman's Chiffoniers	5 #100S Oak Sideboards
5 #16 Lady's Dressing Cabinets	6 #693 Antique Wardrobes

**Form 5.** Invoice of Derby Mfg. Co., dated 17 Portland St., City, July 9.  
Terms: draft at 10 da. for the amount of the bill, less 2%.  
Items as follows:

4 #20 D Parlor Cabinets	10 #3116 Antique Card Tables
4 #169 C Library Tables	5 #89 Mahogany Chamber Sets
10 #16 A Complete Dining-room Sets	

Do not deduct the discount on the bill; a draft will be attached when it comes into your possession.

**Form 6.** Draft of Derby Mfg. Co., dated City, July 9, payable at 10 days sight, on you, in favor of themselves, for the net amount of the above bill.

**Form 7.** J. O. Moran's sight draft, dated City, July 10, on you, in his own favor, \$200.

**Form 8.** Check of J. E. Bender, dated Troy, July 13, on Traders National Bank, in your favor, \$1169.09.

**Form 9.** Invoice of W. H. Stearns & Co., dated Chicago, Ill., July 9.  
Terms: 30-day draft for one half of the bill; balance in 45 da.  
Items as follows:

100 #15 C. Dining Chairs	20 #626 M. Office Chairs
100 #16 K L. Dining Chairs	20 #3016 Fancy Rockers.
10 #2229 O. Dining Tables	5 #2546 Ant. Lib. Rockers

**Form 10.** W. H. Stearns & Co.'s draft, dated Chicago, Ill., July 9, payable 30 da. after date, on you, in favor of themselves, for one half the amount of the above invoice.

**Form 11.** Your draft at 30 da. from July 10 on Samuel W. Bradley, Bedford, in favor of yourself, accepted, for \$840.25.

**Form 12.** Note of J. E. Farley, dated City, July 12, at 30 da., in favor of Samuel W. Bradley, Bedford, for \$179. Transferred to you by full indorsement.

**Form 13.** A bank draft drawn by Traders National Bank, Springfield, on Chemical National Bank, New York, July 16; drawn payable to G. H. Ingalls & Co., A. B. Turner, Cashier, for \$1085.19. Transferred to you by full indorsement.

**Form 14.** Invoice of C. W. Allen & Co., dated 46 Merrimac St., Trenton, N.J., July 9. Terms: 2/30, net 60 da. Items as follows:

24 #27 C Woven-wire Mattresses	10 #71 A Child's Cribs
24 #16 Wool Mattresses	24 #495 White Iron Bedsteads
50 #635 Brass Bedsteads	

**Form 15.** Invoice of William Leavens & Co., dated 32 Canal St., New York City, July 11. Terms: sight draft in 15 da. for the amount of the bill, less 2% Items as follows:

12 #73 Oak Writing Desks	3 #5926 Sec. Book Cabinets
15 #68 Oak Bookcases	6 #396 Mahogany Hall Stands

Do not deduct the discount on the bill.

**Form 16.** E. F. Green & Co.'s draft, dated Bangor, July 14, on H. B. Claffin & Co., City, in your favor, at 60 da. from date, for \$400.

**Form 17.** Invoice of Randall Mfg. Co., dated 126 East 123d St., New York City, July 15. Terms: 3/10, 1/30, net 60 da. Items as follows:

10 #57 Reclining Couches	50 #65 Turkish Rockers
5 #73 Sofa Beds	

**Form 18.** Invoice of S. T. Udell & Co., dated Chicago, Ill., July 19. Terms: sight draft in 45 da. Items as follows:

• 19 #50 M. Parlor Tables	11 #10 China Closets
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**Form 19.** William Leavens & Co.'s sight draft, dated New York City, July 24, on you, in favor of themselves, for the net amount of Form 15.

**Form 20.** *C. O. D.* envelope. Get \$50 of the instructor and place it in the envelope. Data as follows: Cash inclosed, \$50. Goods were shipped by you to Chas. B. Lyman, Springfield, July 24.

NOTE. An envelope containing the required amount of cash will be found in the back part of the tablet of incoming business forms. If business practice is used and the incoming business forms are not used, get the cash of the instructor.

**Form 21.** Check of David E. Teeter, dated City, July 29, on Traders National Bank, in your favor, for \$1291.95.

**Form 22.** Bill of the Metropolitan Carting Co., dated City, July 31. Items as follows:

July 3, Cartage, \$8.50
10, Cartage, \$7.50; Freight, \$98.40
13, Cartage, \$6; Freight, \$45.60
26, Cartage, \$3.25

Receipt the bill as follows: Metropolitan Carting Co.

**Form 23.** Receipted bill of the Consolidated Gas and Electric Light Co., dated City, July 31. Terms: cash, less 5%. Items as follows:

Meter at current date, 8200 cu. ft.
Meter at last settlement, 2000 cu. ft.
Gas consumed, 6200 cu. ft. at \$1.20 per 1000

Deduct the discount before receipting the bill. In receipting, sign the name of the gas company, per your initials.

**Opening the Set.** The following transactions are for the work during the month of July:

## MEMORANDA OF TRANSACTIONS FOR JULY

July 1

You begin a Jobbing Furniture business at 269 Causeway St., with the following assets and liabilities:

## ASSETS

J. B. Maxwell's note, dated June 30, in your favor, payable at The Union Bank 20 da. after date, with interest at 6%, \$500.

Accepted draft, dated June 9, payable at The Union Bank 30 da. after date, \$450. This draft is drawn by J. B. Topham, in his own favor, on W. D. Rimbach, and transferred to you by full indorsement.

The stock and furniture of the late Allen & Bailey Furniture Co., as per schedule on file, \$7150.

Cash on hand, \$6200.

A lot located at 269 Causeway St., as per warranty deed on file, valued at \$2000.

Building and store fixtures valued at \$5000.

Office furniture, per schedule on file, \$450.

Delivery equipment (horses, wagons, and harness), \$450.

The following persons owe you on account: J. E. Bender, Troy, \$1350; Samuel W. Bradley, Bedford, \$750; E. F. Green & Co., Bangor, \$400.

## LIABILITIES

Your note at 1 mo. from June 25, in favor of Allen & Bailey Furniture Co., payable at The Union Bank, for \$2500, with interest at 6%.

C. O. Boswell's draft at 30 days sight, dated New York City, June 20, on you, in his own favor, for \$1000. You accepted it June 25, payable at The Union Bank.

You owe the following persons on account: J. O. Moran, City, \$2100; Paine Manufacturing Co., Bedford, \$350; Stoddard & Co., City, \$4750.

**NOTE.** The ledger title for the lot is *Real Estate*; for the building and the store fixtures, *Building and Fixtures*; for the schedule of office furniture, *Office Furniture*; for the horses, wagons, and harness, *Delivery Equipment*.

Make the opening journal entry.

Remember to record the cash item in the cashbook.

Record the notes and acceptances in the notebook.

Refer to the model notebook on pages 196 and 197.

Write the *note* and the *draft* given in the *liabilities*, and hand them in.

Did you remember to check the cash item in the opening journal entry, in both the cashbook and the journal? How are they checked?

*July 2*

Take J. B. Maxwell's note, Form 1, and W. D. Rimbach's acceptance, Form 2, and place them in the *Unpaid Bills* envelope. The warranty deed, the schedule of property on hand, etc., are assumed to be on file, and you will make no reference to them at this time.

Apply to the instructor for the cash investment.

Deposit in The Union Bank all the cash on hand except \$100.

The bank account will be kept in the same manner as in the introductory work. An envelope and sheet for filing the checks drawn, and for making the monthly bank statement, will be found in the package of business forms. The left stub of the check book may be used for recording any important memoranda.

Pay by check the bill of Thorp, Martin & Thorp, for books, stationery, etc., Form 3.

Place the bill in the *Paid Bills* envelope. Debit *Office Supplies*.

Secure from the Manhattan Fire Insurance Co. a policy of insurance for \$12,000 on the store, the goods, and the fixtures at  $1\frac{1}{4}\%$  premium.

Pay the *premium* by check in favor of Chas. M. Shaw, general agent for your place. Debit *Insurance*.

The policy, it is assumed, was received and filed yesterday.

NOTE. A policy of insurance is simply an insurance company's contract with the insured. Such a contract covers usually the following:

Premium paid by the insured	Amount of insurance
Term of insurance	Description of the property insured
Extent of the company's liability, etc.	

This agreement is signed usually by the president and the secretary of the company as well as by the local agent of whom you obtained it.

Engage Harry K. Sutton at \$60 and Harvey L. Grant at \$50 per month as salesmen; Michael Donovan at \$30 per month as delivery man; Daniel L. Coon and Geo. W. Ainsley at \$48 and \$40 per month, respectively, as upholsterers and finishers.

A memorandum of the above may be made by the student and filed with the incoming papers.

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**Letters Ordering Goods.** In writing letters ordering goods, observe the following:

1. Arrange the items one on a line.
2. Give shipping directions in out-of-town orders.
3. In case of a first order:
  - a. Give satisfactory references.
  - b. State how you intend to pay.

4. When you name prices, state at what point you expect the goods f.o.b. This is a matter of importance, as it affects the cost of the goods.

5. Always be definite with regard to the quality and the quantity of the articles ordered.

6. If it is a special order, state the purpose for which the goods are intended.

7. State, if necessary, the exact date on which the goods must reach you.

8. Study the following model letter:

Hartford, Conn., July 1, 19—

Mr. Harold M. Bates

136 Main St.

Grand Rapids, Michigan

Dear Sir:

Please ship the following goods by freight, subject to your best cash discount:

10 #5926 Secretary Book Cabinets

15 #396 Mahogany Hall Stands

20 #73 Oak Writing Desks

10 #57 Reclining Couches

50 #65 Turkish Rockers

25 #68 Oak Bookcases

5 #73 Sofa Beds

I am permitted to refer you to the First National Bank, of this city, as to my business standing.

Yours truly,

*George M. Lawrence*

MODEL LETTER ORDERING GOODS

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July 3

Write letters, ordering the following goods:

1. Of Cobb, Bates & Co., 62 Portland St., City, the goods outlined in Form 4.

Give references and ask for their best cash discount.

NOTE. In this set no entry will be made at the time of ordering goods. Almost all of the orders are sent to out-of-town firms, and sufficient time is allowed to elapse for the student to receive the invoice and the goods before making any entry.



2. Of William Leavens & Co., 32 Canal St., New York City, the goods outlined in Form 15.

Offer to honor their sight draft in 15 da. for the amount of the bill less the regular discount for payments within 15 da.

As you are a stranger to this firm, give New York City references instead of local references.

3. Of C. W. Allen & Co., 46 Merrimac St., Trenton, N.J., the goods outlined in Form 14.

You have had dealings with this firm before and expect them to name their regular terms.

4. Of Derby Manufacturing Co., 17 Portland St., City, the goods outlined in Form 5.

Ask them to allow you their usual discount, and to draw on you for the amount of the bill at 10 da. from date.

5. Of W. H. Stearns & Co., Chicago, Ill., the goods outlined in Form 9.

Tell them that you will honor their 30-day draft for one half the bill, and will pay the balance in 45 da.

*July 5*

**Cancel your indebtedness to Paine Manufacturing Co., Bedford, by a sight draft on Samuel W. Bradley of the same place.**

Write a letter of remittance and send it with the above draft to Paine Manufacturing Co. Also write a letter to Samuel W. Bradley, notifying him of the draft you have drawn on him at sight. Make the journal entry. The amount may be found on page 208 under the liabilities.

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**Model Letters.** The following models suggest what the above letters should contain:

Boston, Mass., July 5, 19—

O. M. Behrns & Co.  
Syracuse, N.Y.

Gentlemen:

Inclosed find a sight draft on K. P. Shedd, of your city, drawn in your favor, for Three Hundred Fifty (350) Dollars, in full settlement of account to date.

Very truly yours,

E. R. Gaylord & Co.

per *M.*

Boston, Mass., July 5, 19—

Mr. K. P. Shedd  
Syracuse, N.Y.

Dear Sir:

We have this day drawn upon you at sight, in favor of O. M. Behrns & Co., of your city, for Three Hundred Fifty (350) Dollars.

Very truly yours,

E. R. Gaylord & Co.

per *M.*

*July 6*

David E. Teeter, 360 Main St., City, orders the following goods. The order is filled at the prices given herewith:

10 #5932 E. Toilet Tables at \$50	3 #89 M. Chamber Sets at \$80
1 #16 A C. Dining-room Set, \$110	2 #1008 O. Sideboards at \$195
1 #396 Mahogany Hall Stand, \$65	

Terms: 3/5, 1/30, net 60 da.

NOTE. The space allowed for recording the terms of sale on a bill is generally limited, and bookkeepers find it necessary to use symbols and abbreviations to indicate them. The following list explains the meanings of the abbreviations for terms used in this work:

*Net 30 da.* means that the bill is to be paid in thirty days without discount.

*1/30* means that 1% discount will be allowed if the bill is paid within thirty days.

*3/10, net 30 da.* means that 3% discount will be allowed if the bill is paid within ten days, or the amount of the bill will be due in thirty days without discount.

Benj. P. Freeman & Co., 924 East St., City, order the following goods:

12 #170 Eng. Clothes Poles	12 #495 W. Iron Bedsteads
5 #245 Cedar Chests	25 #821 Parlor Lamps

Fill the order. Terms: sight draft in 10 da., less 3%.

Make out the bill, have it approved by the instructor, and then copy it into the sales book. Do not deduct the discount on the bill nor in the sales book. Draw a sight draft in favor of yourself, dating it 10 da. ahead.

Draw the draft for the net amount of the bill; that is, take out the 3%.

Remember that this is drawn as a *sight draft*, but it is dated 10 da. ahead of the date you are working on.

On *July 15* instructions will be given for the collection of this draft by The Union Bank.

July 8

Walker, Brown & Co., Albany, order:

5 #20 D Parlor Cabinets  
24 #176 C Piano Chairs

10 #835 Music Cabinets  
15 #821 Parlor Lamps

Fill the order. Terms: draft at 30 da. from date.

The goods called for in the above order will be sent by freight, and it will be necessary for you to prepare a *bill of lading* and the duplicates, the *shipping order*, and the *memorandum*.

Study carefully the following illustration and the explanation. This is a new feature of your work; be sure you understand it thoroughly.

In the box of business forms there is a pad of bill of lading blanks, and full instructions for using this form. Use the pad marked *Straight Bill of Lading*.

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**Order Bills of Lading.** Refer to the explanation of the straight bill of lading given on page 178 before reading the following paragraphs. Study these instructions with care.

The order bill of lading is also drawn up in a set of three papers, but in this form the bill of lading must be printed on yellow paper and the duplicates on blue paper. The order bill of lading is negotiable by indorsement, and is extensively used in the shipping of freight that is not to be delivered until it is paid for.

When the order bill of lading is used, the shipment is termed a *shipper's order*, and is recorded as a *C.O.D.* account.

When an order bill of lading is used, it is customary to draw a sight draft, attach it to the bill of lading, and make the collection through a bank. The name of the bank is written after *Consigned to Order of*, and the name of the consignee after *Notify*. The consignee cannot get the bill of lading until he pays the draft, and he cannot get the goods until he surrenders the bill of lading. For this reason, the shipper's order is a *C.O.D.* transaction.

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Prepare the straight bill of lading and the duplicates; sign the shipping order and the duplicates, and then have the instructor or the freight agent sign the bill of lading and the memorandum. Place the bill of lading with the invoice, inclose both in an envelope addressed to Walker, Brown & Co., and hand it in. The shipping order should be left with the freight agent, and the memorandum placed on file by the shipper.

The bill of lading must be used in connection with all out-of-town shipments, the *straight* bill of lading for general orders, and the *order* bill of lading for all orders that are not to be delivered until the goods are paid for. Observe this distinction carefully.

Draw a draft, in favor of yourself, payable 30 da. from the date of the invoice. Indorse the draft properly and leave it with your bank for acceptance and collection.

It should be borne in mind that Walker, Brown & Co. have agreed to accept the draft, and it will be honored in due course.

Make no entry in the check book. Some banks make a memorandum entry in the pass book for paper left for collection, but do not extend the amount into the money column.

The journal entry will be made when the bank informs you that the draft has been accepted.

The straight bill of lading will be used unless you are otherwise instructed.

Leave W. D. Rimbach's acceptance at the bank for collection.

Indorse it and record in the *Date sent to Collect* column of the notebook.

*July 9*

J. E. Bender, Troy, has agreed to honor your sight draft, in favor of Stoddard & Co., for \$300.

Write the draft and the letters, and hand them in. Make the proper entry in the journal.

The Metropolitan Carting Co. has delivered to you the goods ordered of Cobb, Bates & Co. on *July 3*.

Look up the invoice, Form 4. Enter it in the purchase book.

---

**Entries in Purchase Book.** In entering purchases in the purchase book observe the following:

1. In actual business *never* enter a bill in the purchase book until the goods have been received. Sometimes it may happen that more than one bill is sent for the same goods, or perhaps a bill is sent and the goods are not delivered.

2. When the goods have been received, the invoice for the same should be checked.

3. If everything called for in the invoice has been received, then the bill should be compared with the order to find out whether or not you have received the goods you ordered.

4. If the items on the bill agree with the order, next observe if the prices and the terms are what you bargained for.

5. **Examine** all the extensions of the invoice carefully, and, if everything is found to be correct in every detail, record it in the purchase book.

6. If the checking shows any irregularities on the bill or in the goods received, do not record it in the purchase book, but hold it, and immediately notify the persons of whom you are purchasing the goods, and await their reply.

The goods ordered of the Derby Manufacturing Co. have been delivered.

Look up the invoice, Form 5, and the draft sent with it, Form 6. Record the invoice in the purchase book. Accept the draft, payable at The Union Bank, and make the journal entry. Record the acceptance in the notebook. Place the draft in an envelope, address it, and hand it in.

No deduction is made on the face of the invoice; every invoice is to be entered in the purchase book at its face value.

The following is the proper form of journal entry for the acceptance:

Derby Mfg. Co.  
Mdse. Disc. on Purchases  
Notes Payable

The Union Bank reports that Walker, Brown & Co. has accepted your draft for the amount of the invoice of *July 8*.

Make the entry in the journal, and record in the notebook. Refer to the model notebook, pages 196 and 197.

W. D. Rimbach's acceptance has been collected. Have the amount recorded in your pass book, and make the record in the check book. The following memorandum may be entered on the reverse stub of the check book.

July 9	W.D. Rimbach's accept- ance collected	450 —
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Credit *Notes Receivable* on the left side of the cashbook. Mark the note *Paid* in the notebook.

*July 10*

**Pay by check** J. O. Moran's sight draft on you, in favor of himself, for \$200, Form 7.

Write the check and **make the cashbook entry**. Hand in all outgoing papers.

Samuel W. Bradley, 126 James St., Bedford, orders the following goods. The order is filled at the prices given herewith:

5 #3116 A. Card Tables at \$19.75	3 #1008 O. Sideboards at \$195
6 #687 O. Tables at \$5.25	5 #169 c Library Tables at \$25

Terms: draft at 30 da., drawn in favor of yourself.

Write the draft and have it approved. Inclose the invoice, the bill of lading, and the draft in an addressed envelope, and hand it in. Make no entry for the draft until it has been returned accepted.

*July 11*

Telegraph Randall Manufacturing Co., 126 East 126th St., New York, ordering:

50 #65 Turkish Rockers	10 #57 Reclining Couches
5 #73 Sofa Beds	

Do not use more than twenty words for the message.

Pay 75¢ charges in currency. Debit *Sundry General Expense* in the cashbook.

NOTE. The telegram is illustrated and discussed in Appendix F.

*July 12*

J. E. Bender, 127 Main St., Troy, orders:

15 #396 Mahogany Hall Stands	9 #68 Oak Bookcases
10 #76 A Oak Chamber Sets	

Fill the order. Terms: 3/5, 2/10, net 30 da.

Prepare the bill of lading as under *July 8*.

*July 13*

Receive a check from J. E. Bender for the amount of the invoice of *July 12*, less 3%, Form 8.

Enter the check on the left side of the cashbook. Refer to the second entry in the model cashbook, under *Cash Received*, page 198.

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**Merchandise Discount.** This discount is an allowance for the payment of an invoice within a specified time from its date. It is usually the result of giving optional terms of settlement to the buyer, as *3/10*, *1/30*, *n/60*; that is, a reduction of 3% if payment is made within 10 da., or 1% if paid after the 10 da. and within 30 da., or the face of the bill if payment is made after the 30 da. and within 60 da.

Merchandise Discount is entered as follows: that which is allowed on purchases as *Merchandise Discount on Purchases*; that which is allowed on sales as *Merchandise Discount on Sales*.



Because the buyer has this option the invoice is billed without reduction, as it is not known which option the buyer will choose. If he pays within the time for which the discount is allowed, a record is made of this discount as a regular entry, under the title *Merchandise Discount on Sales*.

*July 15*

The Metropolitan Carting Co. has delivered the goods shipped to you by W. H. Stearns & Co., Chicago, Ill., Form 9. Accept the draft, payable at The Union Bank, Form 10, place it in an envelope addressed to W. H. Stearns & Co., and hand it in.

Samuel W. Bradley, Bedford, returns your draft of July 10, on him, accepted, Form 11, together with a note, Form 12, payable 30 da. from July 12, made by J. E. Farley, City, in favor of Samuel W. Bradley, for \$179. Form 12 is transferred to you by full indorsement.

Make the journal entry for the draft and the note, and then record them in the notebook. Place them in the *Unpaid Bills* envelope.

Leave the sight draft of Benj. P. Freeman & Co. at The Union Bank for collection.

Refer to the sale to them on *July 6*.

Telegraph S. T. Udell & Co., Chicago, Ill., asking them to ship you by fast freight:

11 #10 China Closets

19 #50 M. Parlor Tables

Limit the message to fourteen words. Pay 75¢ charges in currency.

Debit *Sundry General Expense* in the cashbook.

*July 16*

G. H. Ingalls & Co., Springfield, order:

25 #20 Corner Chairs

25 #17 A Roman Chairs

They inclose a New York draft to cover the cost of the order, Form 13.

Fill the order. Terms: cash, less 3%.

Write the invoice, but do not deduct the 3% allowance for cash. Prepare the *straight* bill of lading and the duplicates, in the usual form.

Enter the draft and the discount in the cashbook.

Give Cobb, Bates & Co. a check for the invoice of *July 6*, less the discount allowed for prompt payment.

The cashbook entry will be the same, except the amounts, as the *fifth* entry in the model cashbook, under *Cash Paid*, page 199.

*July 17*

Deposit in the bank the check on hand; also, the New York draft. Collection on the check is  $\frac{1}{10}\%$ .

NOTE. There is no uniform custom in charging for checks, sight drafts, and the various other negotiable instruments offered for collection. As a rule, no charge is

made to a regular depositor for collecting paper payable in the city nor to a customer who keeps a large bank account. When charges are made, they range from  $\frac{1}{10}\%$  to  $\frac{1}{4}\%$ . The student will be instructed when the bank makes any charges.

Different sections of the country do not follow a uniform plan, but it is desirable that the student should be familiar with handling these collection items.

Make out a deposit ticket and deduct the collection. Indorse each paper and then enter the deposit in the check book.

Debit *Collection and Exchange* for the bank's charges.

The Union Bank has collected the sight draft on Benj. P. Freeman & Co. No collection charges.

THE UNION BANK		
DEPOSITED BY		
LUKE S. WARDEN		
July 17, 19—		
<i>Please list each check separately</i>		
Bills		
Gold		
Silver		
Checks	1140	15
	511	20
	278	75
	1930	10
Less Exchange	1	14
	1928	96

As this draft is for the *net* amount of the bill, the discount must be recorded in the cashbook; it was drawn on July 6, the date of the invoice.

*July 18*

Leave J. B. Maxwell's note at the bank for collection.

Take J. B. Maxwell's note from the *Unpaid Bills* envelope, indorse it, and then hand it to the bank teller. No record will be made in the pass book until the bank reports the collection.

Discount Samuel W. Bradley's acceptance for the invoice of *July 10*, and receive credit for the proceeds.

Take Bradley's acceptance from the *Unpaid Bills* envelope, indorse it, and then make out a discount memorandum similar to the one illustrated on page 219.

Compute the discount at 6%.

Pin the discount memorandum and the acceptance together, place them in the pass book, and then hand it to the bank teller, who will give you credit for the proceeds.

Enter the proceeds as a deposit in the check book.

On the reverse stub of the check book a memorandum may be written giving details regarding this discount.

In the cashbook, remember to credit the acceptance for its *face value*; debit *Interest Paid* for the discount. It is of the utmost importance to enter a discounted note or acceptance at its face value.

In the notebook, in the *Date Discounted* column, write *July 18*.

**Term of Discount.** The *term of discount* is the time from the date of discount to the *maturity* of the note. Banks differ as to method in finding the *term*, but in this text *the exact number of days will be used uniformly*.

Receive the goods ordered of C. W. Allen & Co. on *July 3*, Form 14.

This invoice is dated July 9, the date goods were shipped.

*July 19*

The Metropolitan Carting Co. has delivered the goods ordered of William Leavens & Co., Form 15.

Look up the invoice, Form 15, and enter it in the purchase book. You will receive their **sight draft** on you for the net amount of the invoice in 15 da.

Remit to C. W. Allen & Co. a check for invoice of July 9, less the **discount** allowed for prompt payment.

Also order the following:

5 #59 A Cheval Glasses

17 #572 Drawing-room Suites

Write the check and have it approved; enter it in the cashbook. Write a letter, inclosing the check and ordering the goods.

Your acceptance in favor of Derby Manufacturing Co., made payable at your bank, is due to-day.

Issue a check in payment.

Enter the amount in the check book; include it in the checks.

Debit *Notes Payable* in the cashbook. Mark the acceptance *Paid* in the notebook.

# DISCOUNT MEMORANDUM

Date July 15, 19--

Discounted for Wm. K. Miner

Maker Roger Williams

Indorser _____

Face, \$ 500⁰⁰ Interest, \$ _____ Total, \$ 500⁰⁰

Discount 6 da. \$ 15⁰⁰ Coll., \$ _____ Total, \$ 15⁰⁰

Proceeds, \$ 485⁰⁰

FORM OF DISCOUNT MEMORANDUM

**Bank Charges for Notes or Drafts.** The following paragraphs explain the circumstances under which a bank will charge a depositor with a note or a draft:

1. Banks are not uniform in their practice of charging notes, accepted drafts, etc. In some places, notably in Chicago and several other large Western cities, they require their patrons to meet all such paper by check.

2. The practice followed by some banks is to pay notes, acceptances, etc. out of a firm's deposit, and to charge the depositor the same as they would if he had drawn a check. Court decisions and special laws in force in a number of states hold that notes, acceptances, etc. made payable at a bank are orders upon that bank and may be charged to a depositor's account at maturity the same as a regular check.

3. These special laws and decisions are in operation in New York, Massachusetts, Connecticut, and a few other states. In these sections many banks charge notes etc. to their patrons' accounts at maturity.

---

*July 20*

Your bank has received cash for J. B. Maxwell's note and the interest due to-day.

Enter the sum of the note and the interest as a deposit in the check book.

Give Stoddard & Co. your note at 15 da., dated July 20, for \$400, payable at The Union Bank.

*July 22*

Receive of E. F. Green & Co. a draft drawn in your favor, payable 60 da. from July 14, on H. B. Claflin & Co., City, for \$400, Form 16.

Present the draft to the instructor; he will give you directions about having it accepted for H. B. Claflin & Co.

Receive the goods ordered of Randall Manufacturing Co. on *July 11*, Form 17.

*July 23*

Give Randall Manufacturing Co. your check for the amount of the invoice dated July 15, less 3%.

*July 24*

M. N. Overman, 493 King St., Albany, orders:

3 #693 Antique Wardrobes

30 #65 Turkish Rockers

3 #73 Sofa Beds

References are satisfactory and you fill the order. Terms: 3/10, 1/30, net 60 da.

Write the invoice and have it approved, and then record it in the sales book. Place the invoice and the bill of lading in an envelope, and hand it in.

Receive a telegraphic order from Chas. B. Lyman, Springfield, for

4 pr. Blue Chenille Curtains                      5 pr. #91 Lace Curtains

The goods are to be shipped by express C.O.D.

Make out a receipted invoice; enter it in the sales book, as follows:

<i>C. O. D. Accounts</i>							
<i>(Chas. B. Lyman, Springfield)</i>							
<i>4 pr. Blue Chenille Curtains</i>	<i>5⁰⁰</i>	<i>20</i>	<i>—</i>				
<i>5 pr. #91 Lace Curtains</i>	<i>6⁰⁰</i>	<i>30</i>	<i>—</i>			<i>50</i>	<i>—</i>

Place the invoice in a C.O.D. envelope, fill it out properly, and hand it in.

When posting, debit Chas. B. Lyman under C.O.D. Accounts, as follows:

*C. O. D. Accounts*

<i>July 17</i>	<i>Chas. B. Lyman</i>	<i>6</i>	<i>50</i>	<i>—</i>								
----------------	-----------------------	----------	-----------	----------	--	--	--	--	--	--	--	--

*July 25*

Your acceptance in favor of C. O. Boswell, and your note, with interest for 1 mo., in favor of Allen & Bailey Furniture Co., are due to-day.

Issue checks in payment.

Make the entries in the cashbook and the check book. Mark the acceptance and the note *Paid* in the notebook.

Receive the goods ordered of S. T. Udell & Co., Chicago, Ill., on *July 15*, Form 18.

*July 26*

P. R. Brown, Rochester, orders:

25 #635 Brass Bedsteads

25 #6387 Hall Settees

Fill the order, subject to the order of The Union Bank.

Write a sight draft for the amount of the invoice, indorse it to The Union Bank, attach it to the bill of lading (which is made out according to the directions in the paragraph below), and then leave it with the bank for collection.

Send the invoice to your customer in the usual way.

Enter in the sales book as a C. O. D. item. See script illustration under *July 24*.

---

**Draft with Bill of Lading Attached.** For the convenience of shippers when the responsibility or the credit of the buyer is limited or when his business standing is unknown, railway and steamship companies have provided a way whereby goods may be sent by freight so that the buyer cannot obtain possession of them without first paying for them. This method is commonly known among business men as *shipper's order*, and is analogous to C.O.D. shipments in the express business, as explained in the transaction of *July 24*.

Throughout the text, transactions of this kind will be entered as *C. O. D. Accounts*.

In the shipment to P. R. Brown of *July 26* it will be necessary to make out an order bill of lading. This form is described on page 213. Observe the following directions:

After the words *Consigned to Order of* write *The Union Bank*, and on the line following write your address.

After *Notify* write *P. R. Brown*, and on the line following write *Rochester, N.Y.*

The collection will be made by your bank as follows:

Your bank will indorse both the draft and the bill of lading, and send them to its correspondent at Rochester.

When the Rochester bank receives the draft, it will notify Brown. If he pays it, the bank will give him the freight receipt, which receipt, when properly indorsed and given to the transportation company, will give him access to the goods.

Transportation companies will not deliver goods without obtaining an order bill of lading, for they would thereby render themselves liable to the shippers should the consignee not pay for the goods.

---

*July 27*

Pay William Leavens & Co.'s sight draft, in favor of themselves, for the amount of the invoice dated July 11, Form 19.

Verify the amount of the draft by comparing it with the invoice in the purchase book. If correct, write a check for it. Make the cashbook entry. Write *Paid* across the face of the draft and keep it as a receipt.



*July 29*

Receive returns for the C.O.D. shipment of *July 24*, Form 20.

Take the money out of the *C.O.D.* envelope and place it in the *Business Cash* envelope. (If the incoming business forms are used, the envelope containing the currency will be found in the back of the tablet.)

Enter in the cashbook. Refer to the model.

*July 30*

Receive a check of David E. Teeter, in full for the invoice of *July 6*, less 1%, Form 21.

Examine the check and verify the amount before making the entry in the cashbook.

Draw cash, for private use, \$75.

Enter in the cashbook under *Drawing* account.

Take \$75 from the *Business Cash* envelope and place it in the *Personal Cash* envelope.

*July 31*

Pay by check the bill of the Metropolitan Carting Co., for freight and drayage to date, \$169.25, Form 22.

Debit *Freight and Cartage Out*, \$38.15, and *Merchandise Purchases*, \$131.10.

The first of these terms applies to the freight and cartage which the business has paid on the merchandise sold; the second, to the freight and cartage paid on the merchandise bought.

Pay by check the gas bill for the month, \$7.07, Form 23.

Debit *Sundry General Expense* for the gas bill.

Pay by check salaries to date, as follows:

Harry K. Sutton	\$60	Michael Donovan	\$30
Harvey L. Grant	50	Daniel L. Coon	48
Geo. W. Ainsley	\$40		

Total the five checks, and enter under *Salaries*.

Deposit David E. Teeter's check and all the currency on hand.

**Closing the Work for July.** Proceed to close the month's work as follows:

1. The monthly bank statement should be made.
2. Prove the cash, and balance and post the cashbook. Note that the first two columns, on either side, balance the last two columns.

The directions for posting the cashbook are given on page 198.

## 3. Open accounts in the ledger in the following order :

Cash	<i>Student, Investment</i> ¹
Notes Receivable ¹	<i>Student, Drawing</i>
Accounts Receivable ²	Harvey L. Manning, Investment
David E. Teeter	Harvey L. Manning, Drawing
Benj. P. Freeman & Co.	Profit and Loss ³
Walker, Brown & Co.	Sundry Expense Inventories
Samuel W. Bradley	Merchandise Sales
J. E. Bender	Interest Earned
E. F. Green & Co.	Merchandise Discount on Purchases
G. H. Ingalls & Co.	Merchandise Purchases
M. N. Overman	Salaries
C.O.D. Accounts	Freight and Cartage Out
Chas. B. Sherman	Delivery Expense
M. L. Covey & Co.	Insurance
J. B. Cox & Co.	Office Supplies
Foley Bros.	Sundry General Expense
Merchandise Inventory	Merchandise Discount on Sales
Real Estate	Interest Paid
• Buildings and Fixtures	Collection and Exchange
Office Furniture	
Delivery Equipment	
Notes Payable ¹	
Accounts Payable ²	
Cobb, Bates & Co.	
Derby Mfg. Co.	
W. H. Stearns & Co.	
C. W. Allen & Co.	
William Leavens & Co.	
Randall Mfg. Co.	
S. T. Udell & Co.	
Fowler Furniture Co.	
J. K. Levy & Co.	
J. O. Moran	
Paine Mfg. Co.	
Stoddard & Co.	

NOTE 1. The accounts are arranged in this order to facilitate the making of the statements.

*Accounts Receivable* is a term applied to the total amount due the business on personal accounts; *Accounts Payable* is a term applied to the total amount owed by the business on personal accounts. (The *Proprietor's* account is not included.)

¹ For these accounts allow one third of a page; for all other accounts, one fourth of a page.

² Do not write *Accounts Receivable* nor *Accounts Payable* in your ledger, but the names of the persons and firms that belong under these titles.

³ Allow one full page for this account.

These terms, *Accounts Receivable* and *Accounts Payable*, are to be used in making trial balances and statements in subsequent work: the result is to shorten the work.

Another advantage of using the terms suggested in the preceding paragraph is to give information in summarized form. The important fact shown by these accounts in the statements is the amount due the business on account, and the amount owed by the business on account, as single items, rather than as a list of the individual debtors and creditors.

Information presented in concrete form is always a desirable feature in good bookkeeping.

NOTE 2. Blank ruled pages are provided at the beginning of the ledger for an index. Observe the following directions in preparing the index:

List all titles from the ledger alphabetically.

In each individual name, write first the surname and then the Christian name; for example, Burton, John L.

Illustrations for writing firm names: Brightwood & Co.,

John H.; Cobb,

Bates & Co.; Sherwood & Son, Henry L.; The American Standard Heating Co.

Write on every other line, and place the page number of the account immediately after the name.

When an account is transferred to a new page in the ledger, the number of this page should be written just after the number of the page on which the account was first written, as follows: Merchandise Inventory, 4, 76, etc. The last number indicates the page on which the open account may be found, and the series of page numbers enables the bookkeeper to refer to any page on which the account stands.

Any new accounts that may be opened should be written in the index at once.

NOTE 3. In this set there will be three accounts with merchandise, as follows: *Merchandise Inventory*, to which post the merchandise item from the opening journal entry; *Merchandise Purchases*, to which post the footing of the purchase book; *Merchandise Sales*, to which post the footing of the sales book.

STATEMENT OF ACCOUNT			
Folio <u>72</u>			
<u>Boston, Mass. July 31, 19--</u>			
<u>M. W. E. Simpson</u>			
<u>Beverly, Mass.</u>			
In account with <u>Baker, Taylor &amp; Co.</u>			
July 6	To Mdse.	150 90	
17	" "	720 50	
25	" "	125 70	997 10
July 10	By Mdse. returned	15 90	
17	By Cash	150 --	
27	" "	500 --	665 90
			331 20

MODEL FOR MONTHLY STATEMENT OF ACCOUNT

4. Rule the purchase book as usual. The closing entry is *Mdse. Purchases, Dr. Post.*

5. Rule the sales book as usual. The closing entry is *Mdse. Sales, Cr. Post.*

6. Post from the journal.

7. Prove the notebook.

NOTE. To prove the notebook, find the total of the uncanceled notes receivable. This sum should agree with the balance of the *Notes Receivable* account in the ledger.

In like manner find the total of the unredeemed notes payable, and this sum should agree with the balance of the *Notes Payable* account in the ledger.

8. Prepare the monthly statements of the customers' accounts. Place them in an envelope properly addressed, and hand them in for approval. See model of monthly statement of account on page 225.

9. Take a trial balance of the balances of the ledger accounts, and hand it to the instructor for approval.

10. The inventory of stock was completed by Harvey L. Grant and Harry K. Sutton yesterday. The figures are given below.

Copy the inventory on a sheet of journal paper, in the usual form, using the buying price list for the merchandise. File the sheet containing the inventories.

### Inventories, July 31, 19—

#### Merchandise:

5 #3116 A. Card Tables	5 #16 L. Dressing Cabinets
17 #2546 A. Library Rockers	19 #50 M. Parlor Tables
4 #693 Antique Wardrobes	20 #626 M. Office Chairs
25 #635 Brass Bedsteads	10 #396 M. Hall Stands
25 #16 B Brass Easels	2 #89 M. Chamber Sets
200 #15 Cane-seat Dining Chairs	10 #2229 O. Dining Tables
10 #71 A Child's Cribs	12 #73 Oak Writing Desks
10 #20 Corner Chairs	24 #68 Oak Bookcases
9 #16 A C. Dining-room Sets	10 #20 D Parlor Cabinets
15 #10 China Closets	10 #57 Reclining Couches
28 #3016 Fancy Rockers	12 #73 Sofa Beds
12 #36 B Gentleman's Chiffoniers	5 #5926 S. Book Cabinets
10 #6387 Hall Settles	20 #65 Turkish Rockers
275 #16 K L. Dining Chairs	24 #27 c W.-Wire Mattresses
5 #169 c Library Tables	24 #16 Wool Mattresses
10 pr. #91 Lace Curtains	12 #495 W. I. Bedsteads

#### Office Supplies:

Unused supplies

\$21.75

#### Office Furniture:

Depreciation

4.50

Delivery Equipment :	
Depreciation	\$6.75
Building and Fixtures :	
Depreciation	12.50
Insurance :	
For 1 mo.	12.50

No inventory of real estate is given, as the book value of the account is to be used as an asset.

The book value of the account is the value as it appears on the ledger.

11. Make the profit and loss statement.

12. Make the balance sheet or financial statement.

**Statements.** The following suggest the forms of statement to be used :

*Student*

### PROFIT AND LOSS STATEMENT

For the month of July, 19—

TRADING					
Mdse. Sales		9856	25		
Inventory, July 1	6384.20				
Purchases for July	8188.75				
	<u>14872.95</u>				
Inventory, July 31	<u>5759.43</u>				
Cost of merchandise sold		9113	52		
Gross profits on sales				742	73
OPERATING EXPENSES					
Freight and Cartage Out		82	35		
Salaries		142			
Insurance, 1 mo.		20			
Depreciation on Delivery Equipment		7	50		
Depreciation on Office Furniture		4	25		
Office Supplies		17	60		
Sundry General Expense		5	35	279	05
Net operating profit				463	68
Add :					
Mdse. Discount on Purchases	94.32				
Interest Earned	<u>13.55</u>	107	87		
Deduct :					
Mdse. Discount on Sales	53.20				
Interest Paid	31.15				
Collection and Exchange	<u>1.20</u>	85	55	22	32
Net Profit for July				486	

## FINANCIAL STATEMENT

ASSETS					
Cash		845	35		
Notes Receivable		1742	30		
Accounts Receivable		3895	60		
Mdse. Inventory		5759	43		
Real Estate		2000			
Building and Fixtures		3500			
Delivery Equipment	425.				
Less depreciation	7.50	417	50		
Office Furniture :	425.				
Less depreciation	4.25	420	75		
Office Supplies		21	75		
Insurance Unexpired		91			
Total Assets				18693	68
LIABILITIES					
Notes Payable		1425	10		
Accounts Payable		3553	40		
Total Liabilities				4978	50
PROPRIETARY INTEREST					
Student, Investment, July 1		13304	18		
Drawing :					
Net Profit for July	486.				
Withdrawal	75.	411			
Proprietary Interest, July 31				13715	18

## BALANCE SHEET

ASSETS				LIABILITIES			
Cash	845	35		Notes Payable	1425	10	
Notes Receivable	1742	30		Accounts Payable	3553	40	
Accounts Receivable	3895	60		PROPRIETARY INTEREST			
Mdse. Inventory	5759	43		Invest., July 1	13304.18		
Real Estate	2000			Drawing :			
Building and Fixtures	3500			Net Profit	486.		
Delivery Equip.	425.			Withdrawal	75.	411.	
Depreciation	7.50	417	50	Proprietary Int.,			
Office Furn.	425.			July 31			
Depreciation	4.25	420	75			13715	18
Office Supplies		21	75				
Insurance, Unexpired		91					
	18693	68				18693	68



Discuss the following questions on the Profit and Loss Statement.

How would a statement be arranged to show a gross loss on sales?

Explain the items chargeable to each of the seven operating expense accounts. Refer to the Profit and Loss Statement on page 227.

What is meant by *net operating profit*?

What is the distinction between *net operating profit* and *net profit*?

What is the source of the *interest paid* and the *interest earned* items?

Distinguish between the merchandise inventory of July 1 and of July 31.

13. Hand the statements to the instructor for approval.

14. Close the ledger by the *journal* method, as already instructed.

To close the *Delivery Equipment* account and the *Insurance* account, observe the following suggestions:

Assume that the *Delivery Equipment* account was valued at \$400 on July 1 and has depreciated \$8 during the month.

Make the following entry to record the depreciation (the loss), as treated in this set:

Profit and Loss	8	
<i>Delivery Equipment</i>		8
To record the depreciation on the <i>Delivery Equipment</i> account.		

After posting the above entry *balance* the account.

Assume that the *Insurance* account appears on the ledger debited with \$144 on July 1. The portion chargeable to each month (the loss) is \$12.

Make the following entry to charge the monthly premium and to record the inventory value:

Profit and Loss	12	
Sundry Expense Inventories	132	
<i>Insurance</i>		144
To close one twelfth of the yearly premium into the <i>Profit and Loss</i> account and to record the inventory value.		

After posting the above entry rule the *Insurance* account.

15. Make the monthly statement of the bank account.

16. Pass all books to the instructor for approval.

**Exercise 58. Review***For Written Work*

1. Journalize orally or in writing each transaction in the month of July.

All amounts may be omitted, as the value of the exercises is in determining debits and credits.

2. Make the following opening entries, referring to page 194, in order to determine the correct form of entry:

*Student* begins business this day with the following assets and liabilities:

a. Cash in drawer, \$231.40

Deposit in First National Bank, \$1674.50

Stock of merchandise valued at \$9645.50

The following owe you on account:

Henry A. Pell, \$67.50

Morris & Co., \$253.10

M. M. Bell, \$167.25

Amos T. Young, \$76.45

You owe the following on account:

Barber & Co., \$56.75

Young & Brown, \$100.50

Thos. L. Parr, \$25.25

b. Cash in drawer, \$325

Deposit in The Union Bank, \$2365.10

Real Estate valued at \$1000

Building and Fixtures valued at \$3200

Stock of merchandise valued at \$11,457.20

The following owe you on account:

Warren & Son, \$176.25

John K. Lamb, \$200

C. H. Hartman, \$423.50

D. B. Vance, \$153.95

You owe the following on account:

Marshall & Co., \$235

Henry Marvel, \$310

Chas. L. Burt, \$65.70

You hold notes against the following:

H. T. Inman, \$125

L. L. Pond, \$250

Mason & Son, \$230

You have the following notes outstanding:

R. N. Banks, \$200

T. S. Little, \$100

- c. Cash in drawer, \$410.20  
 Deposit in the Second National Bank, \$1814.25  
 Office Furniture valued at \$215  
 Coal valued at \$49.10  
 Office Supplies valued at \$23.50  
 Stock of merchandise valued at \$8692.15  
 One delivery truck valued at \$600  
 The following owe you on account :  
     John L. Kinnman, \$235.85  
     Hart Bros., \$356.30  
     Henry A. Morton, \$205  
 You owe the following on account :  
     Lee & Mason, \$176.50  
     Edward C. Freeman, \$83.40  
     Loomis & Co., \$115.20

3. Make statements from each of the following trial balances:

a. Cash	\$3165.50	
Notes Receivable	270.45	
Accounts Receivable	1056.10	
Mdse. Inventory	3256.10	
Real Estate	2650.	
Building and Fixtures	5156.15	
Office Furniture	125.	
Delivery Equipment	350.	
Notes Payable		\$1964.25
Accounts Payable		2708.55
John A. Smart, Investment		10018.85
John A. Smart, Drawing	125.	
Mdse. Sales		4181.15
Interest Earned		53.20
Mdse. Discount on Purchases		151.95
Mdse. Purchases	3074.45	
Salaries	98.35	
Sundry General Expense	8.75	
Interest Paid	42.10	
	<u>\$19377.95</u>	<u>\$19377.95</u>

*Inventories :*

Merchandise	\$3325.10
Building and Fixtures :	
Depreciation	51.56
Office Furniture :	
Depreciation	2.50
Delivery Equipment :	
Depreciation	3.50

b. Cash	\$346.20	
Notes Receivable	265.70	
Accounts Receivable	1950.75	
Mdse. Inventory	5860.40	
Real Estate	1875.	
Building and Fixtures	6854.75	
Delivery Equipment	485.	
Notes Payable		\$826.55
Accounts Payable		1625.40
L. S. Woods, Investment		11957.65
L. S. Woods, Drawing	150.	
Mdse. Sales		7546.50
Interest Earned		54.20
Mdse. Discount on Purchases		145.25
Mdse. Purchases	4123.20	
Office Supplies	45.90	
Fuel	123.45	
Mdse. Discount on Sales	45.70	
Interest Paid	29.50	
	<u>\$22155.55</u>	<u>\$22155.55</u>

*Inventories :*

Merchandise	\$3842.25
Fuel	25.60
Building and Fixtures :	
Depreciation	68.55
Delivery Equipment :	
Depreciation	4.85

## CHAPTER XIX

### SET V. JOBBING FURNITURE BUSINESS (CONTINUED)

#### PARTNERSHIPS

**Essential Elements.** A partnership is a contract relation between persons who combine their property, labor, or skill in a business and who agree to share the profits and the losses jointly. Hence, a partnership, in order to be legal, must have the following essential elements of a contract:

- |                      |                                     |
|----------------------|-------------------------------------|
| 1. Competent parties | 4. Consideration (joint division of |
| 2. An agreement      | profit and loss)                    |
| 3. Lawful enterprise |                                     |

The agreement may be either verbal or written, preferably the latter. When reduced to writing, the contract of partnership is called the Articles of Copartnership.

**Usual Clauses.** The most usual clauses in the articles of partnership are as follows:

- |                                                     |                                                             |
|-----------------------------------------------------|-------------------------------------------------------------|
| 1. Name of the firm                                 | 5. Capital to be invested, and provision for its withdrawal |
| 2. Nature of the business                           | 6. Salaries to be paid to the partners                      |
| 3. Place of business                                | 7. Interest on invested capital                             |
| 4. Date of commencement and duration of partnership | 8. Division of profit and loss                              |
|                                                     | 9. Provision for dissolution                                |

#### WORK FOR AUGUST

The work for August, in this set, is a continuation of the work of July.

**Incoming Business Forms for August.** The student is referred to the instructions given for the use of the business forms in the month of July, page 205, of which the following list is a continuation:

**Form 24.** Check of Harvey L. Manning, dated City, Aug. 1, drawn on Traders National Bank, in favor of your firm, for \$7000.

**Form 25.** New York draft, dated City, Aug. 1, drawn by The Union Bank on Chemical National Bank, in favor of your firm, Chas. H. Palmer, Cashier, for \$319.72.

**Form 26.** M. N. Overman's note, dated Albany, Aug. 2, in favor of your firm, at 30 da., for \$469.39.

**Form 27.** Invoice of C. W. Allen & Co., Trenton, N.J., dated July 31.  
Terms: 2/30, net 60 da. Items as follows:

17 #572 Drawing-room Suites                      5 #59 A Cheval Glasses

**Form 28.** Stoddard & Co.'s sight draft, dated City, Aug. 3, on your firm, in favor of themselves, for \$150.

**Form 29.** Invoice of J. K. Levy & Co., New York City, dated Aug. 5.  
Terms: cash, less 2%.

15 #693 Antique Wardrobes

Do not deduct the discount from the amount of the invoice.

**Form 30.** New York draft, dated Olean, Aug. 10, drawn by The Union Bank of Olean, on Chemical National Bank of New York, in favor of M. L. Covey & Co., for \$283.72, W. D. Byron, Cashier. Transferred to *Student & Co.* by full indorsement.

**Form 31.** Invoice of Cobb, Bates & Co., dated City, Aug. 15. Terms: 3/10, net 30 da. Items as follows:

25 #5932 Empire Toilet Tables                      18 #1008 Oak Sideboards

25 #76 A Oak Chamber Sets

**Form 32.** Invoice of Derby Mfg. Co., dated City, Aug. 15. Terms: draft at 20 da. for the amount of the bill, less 2%. Items as follows:

5 #16 A Comp. Dining-room Sets                      5 #693 Antique Wardrobes

10 #89 Mahogany Chamber Sets

Do not deduct the 2% discount.

**Form 33.** Draft of Derby Mfg. Co., City, on your firm, in favor of themselves, for the amount of the above invoice, dated Aug. 16, payable at 20 days sight.

**Form 34.** Invoice of C. W. Allen & Co., dated Trenton, N.J., Aug. 12.  
Terms: 2/30, net 60 da. Items as follows:

20 pr. Blue Chenille Curtains                      20 pr. #91 Lace Curtains

**Form 35.** Check of David E. Teeter, dated City, Aug. 20, drawn on Traders National Bank, in favor of *Student & Co.*, for \$589.30.

**Form 36.** Bill of Ward, Macey & Co., dated City, Aug. 17, for 1 letter file and cabinet, \$65. Terms: cash.

Receipt the bill.

**Form 37.** Check of J. E. Bender, dated Troy, Aug. 19, drawn on Traders National Bank, in favor of your firm, for \$920.95.

**Form 38.** Bill of Tracy Coal Co. to Harvey L. Manning, dated Aug. 20, for 3 T. coal at \$5. Terms: cash.

Receipt the bill.



**Form 39.** Check of David E. Teeter, dated City, Aug. 24, drawn on Traders National Bank, in favor of your firm, for \$1248.87.

**Form 40.** *C. O. D.* envelope. Data as follows: Cash inclosed, \$22. Goods were shipped by your firm to J. W. Clark, Waltham, Aug. 17.

Refer to the note under Form 20, page 207.

**Form 41.** New York draft, dated City, Aug. 30, drawn by The Union Bank, in favor of your firm, on Chemical National Bank, New York City, for \$438.55, Chas. H. Palmer, Cashier.

**Form 42.** Bill of the Metropolitan Carting Co., dated City, Aug. 31. Items as follows:

Aug. 1, Freight and Cartage,	\$14.50
16, Freight and Cartage,	\$34.50
22, Cartage,	\$5
23, Freight and Cartage,	\$26.10
30, Freight and Cartage,	\$83.70

Receipt the bill.

**Form 43.** Receipted bill of the Consolidated Gas and Electric Light Co., dated City, Aug. 31. Terms: cash, less 5%. Items as follows:

Meter at current date,	14,300 cu. ft.
Meter at last settlement,	8200 cu. ft.
Gas consumed,	6100 cu. ft. at \$1.20 per 1000

**Forming the Partnership.** You are desirous of extending your business, and not having sufficient capital to do so, you have decided to enter into a partnership agreement with Harvey L. Manning.

For the assets enumerated below you admit Harvey L. Manning as an equal partner in your business.

Draw up articles of copartnership between yourself and Manning, embodying the following conditions (see Form II, Appendix D):

1. The firm name shall be *Student & Co.*
2. *Student* shall contribute the net assets shown by his July statement of assets and liabilities.
3. Manning shall invest:

Cash	\$7000
Merchandise	1500
Account with Foley Bros. due him	5725

4. Each partner shall devote his entire time to the business and receive a salary of \$100 per month.

5. Neither partner shall engage in any other business.

6. The profits and the losses shall be divided equally.

7. The partnership shall continue for two years unless sooner dissolved by mutual consent.

Hand the articles of copartnership to the instructor for his criticisms. If they are correct, he will sign them for Harvey L. Manning.

Make a copy of the financial statement for the month of July, attach it to the articles of copartnership, fold the sheets together, and in the outer right-hand corner at the top brief as shown in the Model for Briefing herewith.

ARTICLES OF COPARTNERSHIP  
between  
*Student*  
and  
Harvey L. Manning  
AUG. 1, 19—

MODEL FOR BRIEFING

### Opening the Work for August.

The following memoranda of transactions are for the work of the student during the month of August:

#### MEMORANDA OF TRANSACTIONS FOR AUGUST

##### *August 1*

Draw a check, in favor of *Student & Co.*, on The Union Bank for the amount of the balance on deposit. Have the check approved, and place it in the *Business Cash* envelope.

This check is drawn in order that the bank account with the student may be closed. Presently this check will be deposited to the credit of the new firm.

Receive Harvey L. Manning's check on Traders National Bank for the amount of his cash investment, Form 24.

Make a memorandum in the journal, setting forth the change in the personnel of the business.

Make a journal entry for the investment by Manning.

Indorse the two checks on hand, and deposit them in The Union Bank, in the name of the new firm.

Write a letter to J. K. Levy & Co., 27 East 126th St., New York City, ordering:

15 #693 Antique Wardrobes

Inclose a New York draft for the amount, less 2%. Buy the draft by check. Exchange, 30¢.

Write the check.

Take the New York draft, Form 25, and indorse it. Debit *J. K. Levy & Co.* for the face of the draft, and enter the discount, \$6.53, in the *Discount on Purchases* column.

NOTE. When a remittance is sent with an order, the amount may have been determined by previous correspondence, or by reference to prices quoted in a catalogue issued by the firm.

*August 2*

Receive of M. N. Overman his note, in favor of your firm, at 30 da. from Aug. 2, on account, for \$469.39, Form 26.

Chas. B. Sherman, 23 West Ave., Rochester, orders:

50 #15 Cane-seat Dining Chairs	3 #2229 Oak Dining Tables
25 #16 κ Leather-seat Dining Chairs	16 #3016 Fancy Rockers

References are satisfactory and you fill the order. Terms: sight draft in 30 da. for the amount of the bill, less 1%.

Prepare the usual bill of lading. Place the invoice and the bill of lading in an addressed envelope and hand it in.

Draw a sight draft, dating it ahead 30 da., in favor of yourself, for the amount of the bill, less 1%. Have the draft approved. It will be left for collection near the close of the month, just before it is due.

The Metropolitan Carting Co. has delivered to you the goods ordered of C. W. Allen & Co. on *July 19*, Form 27.

*August 3*

Pay by check Stoddard & Co.'s sight draft, in favor of themselves, for \$150, Form 28.

Place the draft in the *Paid Bills* envelope.

David E. Teeter, City, placed the following order with you over the telephone this morning. The order is filled at the prices given herewith:

15 #16 B Bráss Easels at \$15	19 #68 Oak Bookcases at \$9.75
5 #20 D Parlor Cabinets at \$37	

Terms: 3/5, 1/30, net 60 da.

*August 5*

Your note of *July 20* in favor of Stoddard & Co., made payable at the bank, was due yesterday, Sunday.

Issue a check in payment.

Enter in the cashbook, and make the usual record in the notebook.

*August 7*

Your bank reports that the draft on P. R. Brown, attached to a bill of lading, has been collected. Collection charges, \$1.

Have the amount entered in the pass book, and record it in the check book. The entry in the cashbook is the same as the entry of the shipment to Chas. B. Lyman.  
*July 24.*

Remember the entry for the *Collection and Exchange*.

The Metropolitan Carting Co. has delivered to you the goods ordered of J. K. Levy & Co. on *Aug. 1*, Form 29.

Draw a cash check for office expenses, \$25.

At the bank, when you receive the money, ask for \$5 in change.

The money received on this check is placed in the cash drawer, and no entry is made. As it is paid out for small charges, like telegrams, expressage, etc., the entries will be made.

Leave J. E. Farley's note, received *July 15*, with the bank for collection.

*August 8*

Telegraph C. W. Allen & Co., Trenton, N. J., ordering:

20 pr. Blue Chenille Curtains

20 pr. #91 Lace Curtains

Pay the charges in cash, 60¢.

Limit the message to fifteen words.

The acceptance of Walker, Brown & Co., drawn on *July 8* and left with The Union Bank for collection, has been paid. Collection charges, 75¢.

The bank teller will make the proper record in the pass book. Enter in the check book and in the cashbook.

Make the record in the notebook.

Acceptance in favor of W. H. Stearns & Co. is due to-day, payable at the bank.

Issue a check in payment.

*August 10*

J. E. Bender, Troy, sends the following order. Fill the order at the prices given herewith:

50 #15 C. Dining Chairs at \$2.25

5 #495 W. Iron Bedsteads at \$5

10 #16 Wool Mattresses at \$4

5 #65 Turkish Rockers at \$24.75

50 #16 K L. Dining Chairs at \$9.50

3 #73 Sofa Beds at \$38

3 #626 Mahogany Office Chairs at \$16.50

Terms: 3/5, 2/10, net 30 da.

M. L. Covey & Co., Olean, order:

3 #396 Mahogany Hall Stands

2 #68 Oak Bookcases

3 #20 Corner Chairs

Fill the order. Terms: cash, less 3%.

Do not deduct the discount on the invoice nor in the sales book. Prepare the bill of lading as usual.

A New York draft was inclosed in payment of the order, Form 30. Make a cashbook entry for the draft.

*August 12*

Your bank has collected J. E. Farley's note, due yesterday.

Take your pass book to the bank and receive credit for the amount.

NOTE. But few special instructions will be given to the student for entering the transactions of this month. He is supposed to be sufficiently familiar with the different books and the various transactions recorded therein to proceed without a guide. If in doubt at any time, he should consult the instructor.

*August 13*

Place the following orders over the telephone:

Cobb, Bates & Co., City:

25 #5932 Empire Toilet Tables      25 #76 A Oak Chamber Sets  
18 #1008 Oak Sideboards

Derby Manufacturing Co., City:

10 #89 Mahogany Chamber Sets      5 #693 Antique Wardrobes  
5 #16 A Complete Dining-room Sets

NOTE. Some memorandum should be made of each order placed as above. When these orders are frequent, a special order book is used. In this set the memoranda for all orders placed over the telephone may be written on a sheet of paper and filed with the incoming papers.

*August 16*

Give Stoddard & Co. your note at 20 da., payable at The Union Bank, for \$1500, on account.

You have received the goods ordered of Cobb, Bates & Co. on *Aug. 13*, Form 31.

Goods ordered of Derby Manufacturing Co. on *Aug. 13* have been delivered, Form 32.

Accept the draft which they inclosed, payable at The Union Bank. Form 33.

The goods ordered of C. W. Allen & Co. on *Aug. 8* have been delivered, Form 34.

*August 17*

A telegraphic order has been received from J. W. Clark, Waltham, for:

2 pr. #91 Lace Curtains      2 pr. Blue Chenille Curtains

The goods are to be shipped by express C. O. D.

*August 19*

David E. Teeter, City, has given you the following order over the telephone. Fill the order at the prices given herewith:

5 #5932 E Toilet Tables at \$50	10 #693 Antique Wardrobes at \$25.75
3 #396 M. Hall Stands at \$65	3 #1008 Oak Sideboards at \$195

Terms: 3/5, 1/30, net 60 da.

*August 20*

Receive of David E. Teeter his check for the invoice of *Aug. 3*, less 1%, Form 35.

Pay by check Ward, Macey & Co.'s bill for 1 letter file and cabinet, for use in the office, \$65, Form 36.

Debit *Office Furniture*.

Pay by check Charles B. Hanley for sundry repairs, \$10.50.

Receive of J. E. Bender, Troy, his check for the invoice of *Aug. 10*, less 2%, Form 37.

*August 22*

Draw a draft, payable at sight, on J. E. Bender, for the amount you owe W. H. Stearns & Co.

Write a letter to W. H. Stearns & Co. and inclose the draft. Also write a letter to J. E. Bender, informing him of the draft drawn. Refer to the letters under *July 5*.

Pay by check Tracy Coal Co.'s bill for coal for private use of Harvey L. Manning, \$15, Form 38.

Deposit the checks and the New York draft on hand.

*August 24*

Receive of David E. Teeter his check for the amount of the bill of *Aug. 19*, less 3%, Form 39.

Give Cobb, Bates & Co. a check for the invoice of *Aug. 15*, less 3%.

*August 26*

Benj. P. Freeman & Co., City, order:

5 #10 China Closets	10 #16 Wool Mattresses
5 #495 White Iron Bedsteads	5 #65 Turkish Rockers
2 #5926 Secretary Book Cabinets	

Fill the order. Terms: sight draft in 10 da. for the amount, less 3%.

Instructions regarding this sight draft will be given just before it is due.



*August 27*

A telegraphic order has been received from Henry L. Miller, Providence, for:

15 #5932 Empire Toilet Tables

15 #1008 Oak Sideboards

Fill the order, subject to the order of The Union Bank, less 2%.

Do not deduct the discount on the invoice.

Which form of the bill of lading are you to use?

*August 29*

Receive the returns from the C.O.D. shipment of *Aug. 17*, Form 40.

Write a letter to C. W. Allen & Co., Trenton, N.J., ordering the following:

50 #176 c Piano Chairs

25 #835 Music Cabinets

50 #170 English Clothes Poles

20 #6387 Hall Settles

*August 30*

Leave the note of M. N. Overman with the bank for collection.

Deposit the check received of David E. Teeter on Aug. 24, and currency, \$20.

You receive frequent calls for a line of furniture manufactured by the Fowler Furniture Co., Rochester. From their catalogue you have made the following selections:

10 #687 Ornamental Tables

10 #245 Cedar Chests

10 #2229 Oak Dining Tables

15 #17 A Roman Chairs

Write a letter, ordering the above goods and inclosing a New York draft to cover the amount, less 2%. Give references and some information about the volume of your business.

The volume of business is shown by the total sales.

Write the check and receive the draft, Form 41. No collection charge for the draft.

Leave the sight draft on Chas. B. Sherman at The Union Bank for collection.

*August 31*

Give each partner a check for \$100, his monthly salary.

Pay by check the bill of the Metropolitan Carting Co., for freight and cartage to date, \$163.80, Form 42.

Debit *Merchandise Purchases*, \$122.60; *Freight and Cartage Out*, \$11.20.

Pay by checks salaries to date as follows:

Harry K. Sutton	\$60	Michael Donovan	\$30
Harvey L. Grant	50	Daniel L. Coon	48
Geo. W. Ainsley	\$40		

Pay by check the gas bill for the month of August, \$6.95, Form 43.

**Closing the Work for August.** The student should now proceed to close the work for this month as follows:

1. Have the monthly bank statement made, and compare it with the check book.
2. Rule, foot, and post the sales book and the purchase book.
3. If the cash proves, balance and post the cashbook.
4. Prove the notebook.
5. Make out monthly statements for the customers.
6. Make a trial balance of the balances of the ledger accounts, and hand it to the instructor for approval.
7. An inventory of everything on hand has been completed by Mr. Sutton. A statement of it follows.

Make the extensions at the cost prices, on a sheet of journal paper, and file for subsequent reference.

### Inventories, August 31, 19—

#### Merchandise:

17 #2546 A. Library Rockers	28 pr. #91 L. Curtains
5 #3116 Antique Card Tables	17 #626 M. Office Chairs
14 #693 A. Wardrobes	19 #50 M.P. Tables
10 #16 B B. Easels	4 #396 M. Hall Stands
25 #635 B. Bedsteads	22 #89 M. Chamber Sets
18 pr. B.C. Curtains	25 #76 A O. Chamber Sets
100 #15 Cane-seat Dining Chairs	7 #2229 O.D. Tables
5 #59 A Cheval Glasses	12 #73 Oak W. Desks
10 #71 A Child's Cribs	3 #68 O. Bookcases
7 #20 Corner Chairs	5 #20 D Parlor Cabinets
10 #10 China Closets	10 #57 Reclining Couches
27 #16 A C.D. Sets	9 #37 Sofa Beds
17 #572 Drawing-room Suites	3 #5926 Sec. Book Cabinets
5 #5932 Empire Toilet Tables	10 #65 Turkish Rockers
12 #3016 Fancy Rockers	24 #27 c W.-wire Mattresses
12 #36 B G. Chiffoniers	4 #16 Wool Mattresses
10 #6387 Hall Settees	2 #495 W. Iron Bedsteads
200 #16 K L.D. Chairs	5 #16 L.D. Cabinets
5 #169 c Library Tables	

Office Supplies	\$8.50
Office Furniture :	
Depreciation	5.15
Delivery Equipment :	
Depreciation	6.75
Building and Fixtures :	
Depreciation	12.50
Insurance for 1 mo.	12.50

8. Make the statements. Have them approved.

Record them in Blank No. 1, on the page indicated by the index.

9. If the statements are correct, close the ledger.

This month the business has been conducted as a partnership, and the following entries should be made to close the *Profit and Loss* account :

Profit and Loss	288	
Student, Drawing		144
H. C. Mack, Drawing		144
To divide the balance of the <i>Profit and Loss</i> account, representing the net profit of the period, between the partners in the agreed proportion.		

10. Rule the personal accounts that balance.

11. Hand all books to the instructor for approval.

### KINDS OF ACCOUNTS

There are two kinds of accounts, —real accounts and nominal accounts.

**Real Accounts.** Real accounts are those which represent actual values ; upon the books of a concern they represent values owned or owed. These accounts represent pure exchange transactions in the kind of goods owned or owed, and they appear on the financial statement taken at the end of a period to show the financial condition of the business.

In this set the real accounts are :

Cash	Notes Payable
Notes Receivable	Accounts Payable
Accounts Receivable	Student, Investment
Merchandise Inventory	Student, Drawing
Real Estate	Harvey L. Manning, Investment
Building and Fixtures	Harvey L. Manning, Drawing
Office Furniture	

**Nominal Accounts.** Nominal accounts are those which relate to the condition of the business within itself. They are the accounts necessary for the conduct of the business and represent profit and loss transactions. Nominal accounts are closed into the *Profit and Loss* account, at the end of each period.

In this set the nominal accounts are :

Merchandise Sales	Insurance
Interest Earned	Office Supplies
Merchandise Discount on Purchases	Sundry General Expense
Merchandise Purchases	Interest Paid
Salaries	Merchandise Discount on Sales
Freight and Cartage Out	Collection and Exchange
	Delivery Expense

NOTE. The accounts with *Merchandise Sales* and *Merchandise Purchases* are included as nominal accounts for the purpose of classification. Both of these accounts are used in connection with the inventories in determining the gross profit or the gross loss on the merchandise sold.

### Exercise 59. Review

*For Written Work and Discussion*

1. Make the statements from the following trial balance :

Cash	\$2310.42	
Notes Receivable	967.85	
Accounts Receivable	735.65	
Mdse. Inventory	4682.53	
Real Estate	1825.	
Building and Fixtures	3374.25	
Office Furniture	185.	
Delivery Equipment	390.	
Notes Payable		\$738.90
Accounts Payable		1327.90
Wilson A. Brant, Investment		5000.
Wilson A. Brant, Drawing	50.	
Harold D. Casey, Investment		5000.
Harold D. Casey, Drawing	50.	
Mdse. Sales		6637.45
Interest Earned		53.75
Mdse. Discount on Purchases		83.
Mdse. Purchases	4167.55	
Mdse. Discount on Sales	72.	
Sundry General Expense	28.05	
Collection and Exchange	2.70	
	<u>\$18841.00</u>	<u>\$18841.00</u>

*Inventories :*

Merchandise	\$4327.13
Building and Fixtures :	
Depreciation	33.74
Office Furniture :	
Depreciation	3.70
Delivery Equipment :	
Depreciation	7.80

2. Note the distinctions between each of the following :

a. Notes Receivable and Accounts Receivable.

b. Notes Payable and Accounts Payable.

c. Notes Receivable and Notes Payable.

d. Accounts Receivable and Accounts Payable.

3. Describe briefly the method used to find the gross profit on sales.

4. Explain the following with regard to the *Sundry Expense Inventory* account :

a. Under what conditions is this account opened ?

b. How is the account closed ?

5. Journalize orally or in writing each transaction in the month of August. The amounts may be omitted.

## CHAPTER XX

### SET V. JOBBING FURNITURE BUSINESS (CONTINUED)

#### WORK FOR SEPTEMBER

This work is a continuation of the work of July and August.

**Incoming Business Forms for September.** Refer to the instructions given on page 205. The following list continues the August list:

**Form 44.** Sight draft of S. T. Udell & Co. on your firm for \$479.50, dated Chicago, Ill., Aug. 31, drawn payable to W. D. Lapham.

**Form 45.** Invoice of Fowler Furniture Co., dated Rochester, Sept. 2. Terms: cash, less 2%. Items as follows:

10 #245 Cedar Chests	10 #2229 Oak Dining Tables
10 #687 Ornamental Tables	15 #17 A Roman Chairs

Do not deduct the discount on the invoice, but record it in the cashbook.

**Form 46.** Invoice of C. W. Allen & Co., dated Trenton, N.J., Sept. 2. Terms: 2/30, net 60 da. Items as follows:

50 #176 c Piano Chairs	20 #6387 Hall Settles
25 #835 Music Cabinets	50 #170 English Clothes Poles

**Form 47.** Check of Walker, Brown & Co., dated Albany, Sept. 6, drawn on Traders National Bank, in favor of your firm, for \$712.95.

**Form 48.** Check of H. B. Claflin & Co., dated City, Sept. 12, drawn on Traders National Bank, in favor of your firm, for \$400.

**Form 49.** Invoice of Cobb, Bates & Co., dated City, Sept. 12. Terms: 3/10, net 30 da. Items as follows:

25 #16 L. Dressing Cabinets	25 #36 B Gentleman's Chiffoniers
25 #5932 Empire Toilet Tables	

**Form 50.** New York draft, dated Springfield, Sept. 15, drawn by The Union Bank of Springfield on Chemical National Bank, New York, in favor of G. H. Ingalls & Co., for \$732.35, A. R. Sheffield, Cashier. Transferred to your firm by full indorsement.

**Form 51.** Check of Samuel W. Bradley, dated Bedford, Sept. 20, drawn on Traders National Bank, in favor of your firm, for \$1587.60.

**Form 52.** Note of Chas. B. Sherman, dated Rochester, Sept. 20, at 30 da., with interest at 6%, in favor of your firm, for \$352.69.

**Form 53.** Draft of Traders National Bank, dated Bangor, Sept. 20, drawn on Chemical National Bank, New York, in favor of your firm, for \$454.06, W. H. Gould, Cashier.



**Form 54.** Invoice of William Leavens & Co., dated New York, Sept. 20.  
 Terms: sight draft in 10 da., for the amount of the bill, less 2%. Items as follows:

25 #5926 Secretary Book Cabinets	40 #68 Oak Bookcases
50 #396 Mahogany Hall Stands	

**Form 55.** Bill of the Metropolitan Carting Co., dated City, Sept. 30. Items as follows:

Sept. 2, Freight and Cartage, \$9.75
14, Freight and Cartage, \$23.
20, Cartage, \$3.
24, Freight and Cartage, \$17.40
30, Freight and Cartage, \$55.80

Receipt the bill.

**Form 56.** Receipted bill of the Consolidated Gas and Electric Light Co., dated City, Sept. 30. Terms: cash, less 5%. Items as follows:

Meter at current date, 20,600 cu. ft.
Meter at last settlement, 14,300 cu. ft.
Gas consumed, 6300 cu. ft. at \$1.20 per 1000

**Opening the Work for September.** The following are the memoranda of transactions for the work of the student during the month of September:

#### MEMORANDA OF TRANSACTIONS FOR SEPTEMBER

##### *September 2*

Pay by check S. T. Udell & Co.'s sight draft on your firm, in favor of W. D. Lapham, \$479.50, Form 44.

Give J. O. Moran your note, at 60 da. from date, for \$1900, on account.

Your bank informs you that the note of M. N. Overman, due Sept. 1, has been collected.

The Union Bank has collected the sight draft on Chas. B. Sherman, dated Sept. 1. Collection on the draft, 50¢.

This draft is for the invoice of *Aug. 2*.

##### *September 3*

Walker, Brown & Co., Albany, send in the following order. Fill the order at the prices given herewith:

5 #89 M. Chamber Sets at \$80	5 pr. B. Chenille Curtains at \$5
15 pr. #91 Lace Curtains at \$6	2 #16 A C. Dining-room Sets at \$110

Terms: 3/5, net 30 da.

J. B. Cox & Co., Somerville, order:

7 #572 Drawing-room Suites	3 #59 A Cheval Glasses
5 #3016 Fancy Rockers	12 #2546 Ant. Library Rockers

Fill the order. Terms: 20-day draft for the amount of the bill.

Treat in the same way as the order of *July 8*.

*September 4*

Pay Chas. O. Rigdon, by check, \$61.70 for delivery equipment repairs.

Debit *Delivery Expense*.

The Metropolitan Carting Co. has delivered to your firm the goods ordered of the Fowler Furniture Co. on *Aug. 30*, Form 45.

*September 5*

Your note, in favor of Stoddard & Co., and your acceptance, in favor of the Derby Manufacturing Co., are due to-day.

Write a check for the payment of each, hand them in, and receive the canceled note and acceptance.

Your bank informs you that the draft on Henry L. Miller has been collected. Collection, \$2.

Leave at the bank for collection the sight draft drawn on Benj. P. Freeman & Co. on *Aug. 26*, for the invoice of that date.

*September 6*

The Metropolitan Carting Co. has this day delivered to you the goods ordered of C. W. Allen & Co. on *Aug. 29*, Form 46.

E. F. Green & Co., Bangor, order the following. Fill the order at the prices given herewith:

15 #176 c Piano Chairs at \$17	5 #835 Music Cabinets at \$5
15 #170 E. Clothes Poles at \$5.50	5 #6387 Hall Settles at \$23.25

Rumors are current to the effect that the resources of E. F. Green & Co. are in an unsatisfactory condition, and you think it advisable not to sell them anything on account. Prepare the usual bill of lading. Make a sight draft on E. F. Green & Co., in favor of your firm, for the amount of the invoice, less 5%, and attach it to the bill of lading. Do not deduct the discount on the invoice nor in the sales book. (Refer to the comment on the shipment to P. R. Brown, *July 26*.)

Indorse the draft to the bank to which it is to be sent. Write a letter, inclose the draft and the bill of lading, and send it direct to Traders National Bank, Bangor, for collection.

E. F. Green & Co. have consented to the terms of this shipment.

*September 7*

Your offer to prepay your note in favor of J. O. Moran is accepted.

Refer to the notebook for all details regarding this note. Deduct the discount for the time the note has yet to run, and write a check for the proceeds. Have the note canceled, and keep it as a receipt.

The Union Bank has collected the sight draft on Benj. P. Freeman & Co., which was drawn on *Aug. 26* and left at the bank for collection on *Sept. 5*.

The Union Bank reports that J. B. Cox & Co. have accepted your draft on them for the invoice of *Sept. 3*.

Receive of Walker, Brown & Co. their check, for the invoice of *Sept. 3*, less 3%, Form 47.

*September 10*

Samuel W. Bradley, Bedford, sends in the following order. Fill the order at the prices given herewith:

5 #36 B G. Chiffoniers at \$10	10 #27 C W.-wire Mattresses at \$3.25
150 #16 K L. Dining Chairs at \$9.50	50 #15 C. Dining Chairs at \$2.25

Terms: 3/5, 2/10, net 30 da.

G. H. Ingalls & Co., Springfield, send in the following order. Fill the order at the prices given herewith:

5 #2546 A. Library Rockers at \$12	5 #635 Brass Bedsteads at \$22.50
5 #626 M. Office Chairs at \$16.50	5 #572 D. Suites at \$100

Terms: 3/5, 2/10, net 30 da.

*September 12*

Receive from H. B. Claflin & Co. their check, for their acceptance due to-day, Form 48.

Make the following record in red ink across the face of the draft, and then hand it in:

Paid in full 9/12  
Student & Co.

Give Cobb, Bates & Co. the following order over the telephone:

25 #36 B Gentleman's Chiffoniers	25 #5932 Empire Toilet Tables
25 #16 Lady's Dressing Cabinets	

*September 14*

Write a letter to William Leavens & Co., New York City, ordering:

50 #396 Mahogany Hall Stands	40 #68 Oak Bookcases
25 #5926 Secretary Book Cabinets	

The Metropolitan Carting Co. has delivered the goods ordered of Cobb, Bates & Co. on *Sept. 12*, Form 49.

M. N. Overman, Albany, orders:

10 #50 Mahogany Parlor Tables      10 #10 China Closets

Fill the order. Terms: 3/10, net 60 da.

*September 16*

Chas. B. Sherman, Rochester, sends the following order. Fill the order at the prices given herewith:

5 #5932 E. Toilet Tables at \$50      5 #50 M. Parlor Tables at \$21.25

Terms: 30-day note with interest, less 1%.

The note will be received later; make no entry until it is received.

Receive of G. H. Ingalls & Co. a New York draft, in payment of the invoice of *Sept. 10*, less 3%, Form 50.

Deposit the checks, the New York draft, and all currency on hand.

*September 18*

Remit to C. W. Allen & Co. a check for the invoice of *Sept. 2*, less 2%.

Draw a sight draft on Foley Bros. in favor of Stoddard & Co. for \$2250, and remit it to them, to apply on account.

*September 20*

Give Cobb, Bates & Co. a check for the invoice of *Sept. 12*, less 3%.

You and your partner each draw from the business, by check, \$50.

Hand in Manning's check. Have your check cashed at the bank.

*September 23*

Receive of Samuel W. Bradley his check, on the Traders National Bank, in payment for the invoice of *Sept. 10*, less 2%, Form 51.

*September 24*

Receive of Chas. B. Sherman his note, dated *Sept. 20*, in favor of your firm, for the net amount of the invoice of *Sept. 16*, Form 52.

*September 25*

Receive a New York draft from the Traders National Bank, Bangor, for the amount of the sight draft on E. F. Green & Co., *Sept. 6*, less 75¢ collection, Form 53.

The account should be credited in the cashbook for the amount in the sales book.

The amount of the draft is the face of the invoice less 75¢. E. F. Green & Co. deducted the collection, and this necessitates a charge on your books for the 75¢, as it was paid by you.

*September 26*

Deposit the check which was received of Samuel W. Bradley on *Sept. 23*, and the New York draft on hand. The collection on Bradley's check is \$1.50.

Your bank informs you that the acceptance of J. B. Cox & Co., *Sept. 3*, has been paid. Collection charges, \$1.

*September 27*

The Metropolitan Carting Co. has delivered the goods ordered of William Leavens & Co. on *Sept. 14*, Form 54.

*September 28*

Discount at The Union Bank the note received of Chas. B. Sherman on *Sept. 24*.

The bank gives you credit for the face of the note.

NOTE. It is customary for some banks to give depositors credit for the face of interest-bearing notes if they are discounted within a few days after they are made. The interest is the compensation received by the bank.

Give J. L. Bidwell & Son a check for \$125 for 1 carriage horse.

Debit this to the *Drawing* account of Harvey L. Manning.

*September 30*

Pay by check the bill of the Metropolitan Carting Co. for freight and drayage to date, \$108.95, Form 55.

Debit *Merchandise Purchases*, \$78.45, and *Freight and Cartage Out*, \$30.50.

Pay by check the gas bill for the month, \$7.18, Form 56.

Give each partner a check for his monthly salary, \$100.

Pay by checks salaries to date as follows:

Harry K. Sutton	\$60	Michael Donovan	\$30
Harvey L. Grant	50	Daniel L. Coon	48
Geo. W. Ainsley		\$40	

**Closing the Set.** The student should now close the work for this month as follows:

1. An inventory of everything on hand has been completed by Mr. Sutton. A statement of it follows:

Make the extensions, at cost prices, on a sheet of journal paper, and file for future reference.

## Inventories, September 30, 19—

## Merchandise :

5 #3116 Antique Card Tables	12 #626 M. Office Chairs
14 #693 Antique Wardrobes	4 #50 M. Parlor Tables
10 #16 B Brass Easels	54 #396 M. Hall Stands
20 #635 Brass Bedsteads	17 #89 M. Chamber Sets
13 pr. Blue Chenille Curtains	20 #835 Music Cabinets
10 #245 Cedar Chests	25 #76 A Oak Chamber Sets
50 #15 Cane-seat Dining Chairs	10 #687 Ornamental Tables
2 #59 A Cheval Glasses	17 #2229 Oak Dining Tables
10 #71 A Child's Cribs	12 #73 Oak Writing Desks
7 #20 Corner Chairs	43 #68 Oak Bookcases
25 #16 A C. Dining-room Sets	5 #20 D Parlor Cabinets
5 #572 Drawing-room Suites	35 #176 c Piano Chairs
25 #5932 Empire Toilet Tables	10 #57 Reclining Couches
35 #170 English Clothes Poles	15 #17 A Roman Chairs
7 #3016 Fancy Rockers	9 #73 Sofa Beds
32 #36 B G. Chiffoniers	28 #5926 Sec. Book Cabinets
25 #6387 Hall Settles	10 #65 Turkish Rockers
50 #16 K L. Dining Chairs	14 #27 c W.-wire Mattresses
5 #169 c Library Tables	4 #16 Wool Mattresses
13 pr. #91 Lace Curtains	2 #495 White Iron Bedsteads
30 #16 Lady's Dressing Cabinets	

## Office Furniture : .

Depreciation	\$5.15
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## Delivery Equipment :

Depreciation	6.75
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## Building Fixtures :

Depreciation	12.50
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Insurance for 1 mo.	12.50
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2. Make the statements and have them approved.
3. If the statements are correct, close the ledger.
4. Rule all the personal accounts that balance.
5. Hand in all books to the instructor for approval.

## DISSOLUTION OF PARTNERSHIP

**Consequences of Dissolution of Partnership.** The direct consequence of a dissolution of partnership is the necessity of taking effectual steps to close the partnership affairs. Some disposition must always be made of the partnership effects. Sometimes articles of copartnership provide that property on hand shall be taken at dissolution by one of the



partners according to a prescribed mode, and in that case the business may be continued without interruption.

In the following case (Set V) there was no such agreement, but the partners between themselves entered into an arrangement whereby Manning continues the business and *Student*, for a sufficient consideration, consents to withdraw.

**Notice of Dissolution.** A dissolution of partnership, so far as it concerns its own members, may be immediate, but with reference to the public the element of notice requires consideration.

A notice of dissolution is unnecessary:

1. When a partnership expires by its own limitation.
2. When a partnership is dissolved by the operation of law.
3. When dissolution occurs by the death of one of the partners.
4. When a dormant, or silent, partner retires.

A notice of dissolution should be published in one of the usual advertising newspapers of the city in which the business has been conducted. This notice is deemed sufficient for all those who have not had previous dealings with the firm.

A special notice of the dissolution should be sent to those who have had previous dealings with the firm.

**Dissolving the Partnership, Set V.** It has been decided to dissolve the partnership existing between yourself and Harvey L. Manning. You dispose of your interest to Manning for the following:

1. A note at 60 da., with interest at 6%, \$7500.
2. A check for the balance of your present worth as shown by your ledger account after closing, Sept. 30.

Write the note and have the instructor sign for Manning.

Make the journal entry, and then record the notes in the notebook.

Write the check for the *balance* of your *present worth*.

Post both the entries to your account in the ledger and close the account.

Harvey L. Manning is to conduct the furniture business at the old stand under the name of Harvey L. Manning. He is to have the assets and assume all the liabilities of the old firm.

Draw a check in favor of Harvey L. Manning for the balance of the cash in the bank in the name of the old firm, and hand it in.

It is assumed that your attorney, Fred V. Smith, has drawn up the contract of sale and the warranty deed necessary to transfer the title to all the chattels and the real estate to Manning. These documents, it is assumed, are on file with other important papers.

Prepare a notice of your withdrawal from the firm.

A notice of dissolution should be inserted in a local paper, and a circular mailed to each firm with whom you have had dealings.

The writing of these notices is optional with the instructor.

After giving these notices your liability regarding new debts ceases.

### DIVISION OF ACCOUNTS

*Real accounts* are divided into three general divisions, — assets, liabilities, and proprietary interest accounts.

**Assets.** Assets are property of value belonging to the business, or amounts due the business. In this set the asset accounts are:

Cash	Real Estate
Notes Receivable	Building Fixtures
Accounts Receivable	Office Furniture
Merchandise Inventory	Delivery Equipment

**Liabilities.** Liabilities are amounts owed by the business. In this set the liability accounts are:

Notes Payable	Accounts Payable
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**Proprietary Interest Accounts.** These accounts show the value of ownership or the net worth of the business. In a business which is conducted by a single proprietor or by partners, proprietary interest accounts are represented by the individual investment account with the Proprietor and with each of the partners. The drawing accounts and the *Profit and Loss* account are grouped under this division of accounts. In this set the proprietary interest accounts are:

<i>Student</i> , Investment	Harvey L. Manning, Drawing
<i>Student</i> , Drawing	Profit and Loss
Harvey L. Manning, Investment	

*Nominal accounts* are divided into two general divisions, — income accounts and expense accounts.

**Income Accounts.** Income accounts record the income received by the business. In this set the income accounts are:

Merchandise Sales	Interest Earned
Merchandise Discount on Purchases	

**Expense Accounts.** Expense accounts record the amounts spent with the object of earning a profit. In this set the expense accounts are:

Merchandise Purchases	Office Supplies
Salaries	Sundry General Expense
Freight and Cartage Out	Interest Paid
Delivery Expense	Merchandise Discount on Sales
Insurance	Collection and Exchange

## Exercise 60. Review

*For Oral and Written Work*

1. Name all the accounts receivable in the ledger for Set V.
2. Name all the accounts payable in the ledger for Set V.
3. In the following trial balance, name the income accounts; the expense accounts.
4. Make the statements from the following trial balance:

Cash	\$2651.40	
Notes Receivable	320.35	
Accounts Receivable	785.55	
Mdse. Inventory	3462.20	
Real Estate	2500.	
Building and Fixtures	3200.	
Office Furniture	135.	
Delivery Equipment	500.	
Notes Payable		\$305.40
Accounts Payable		800.
Martin S. Lake, Investment		5500.
Martin S. Lake, Drawing	140.	
Henry A. Sampson, Investment		5500.
Henry A. Sampson, Drawing	100.	
Mdse. Sales		4828.35
Interest Earned		76.95
Mdse. Discount on Purchases		134.70
Mdse. Purchases	3072.50	
Salaries	156.65	
Sundry General Expense	10.	
Mdse. Discount on Sales	74.25	
Interest Paid	37.50	
	<u>\$17145.40</u>	<u>\$17145.40</u>

*Inventories:*

Merchandise	\$3113.55
Building and Fixtures:	
Depreciation	32.
Office Furniture:	
Depreciation	2.70
Delivery Equipment:	
Depreciation	5.

5. Journalize orally or in writing each transaction of Set V in September.

The amounts may be omitted.

**Exercise 61. Partnership Arrangements**

*For Written Work*

*Make entries for the following partnership arrangements:*

1. Henry T. Jackson and James Young form a partnership as follows:

Henry T. Jackson invests cash, \$1500, and a stock of merchandise valued at \$2750.

James Young invests cash, \$1250, and a lot worth \$3000.

2. *Student* and Fred S. Carmen form a partnership as follows:

*Student* invests cash, \$2000, and R. S. Good's note which he holds; face of the note, \$500.

Fred S. Carmen invests cash equal to the total investment of *Student*.

3. Harold D. Powers owns a dry-goods business the present value of which is \$16,450. He sells a half interest to Bernard F. Shaw for \$8225.

4. George D. Fuller owns a drug store, and he values the store, fixtures, and stock at \$12,600. Ralph F. Varley becomes an equal partner with Fuller by investing cash, \$7600, and a stock of drugs worth \$5000.

5. Henry S. Carey, George R. Downey, and Harry S. Mason form a partnership on the following conditions: the capital is to be \$25,000, of which Carey invests \$12,500, Downey invests \$7500, and Mason borrows \$5000 of Carey and invests it in the business.

QUERY. How much of the Mason investment and loan should be entered on the books of the business?

NOTE. The Formation of Partnerships is illustrated and discussed in Appendix G.

Manual

## APPENDIX A

### DEFINITIONS AND RULES

#### DEFINITIONS AND EXPLANATIONS

**Bookkeeping.** Bookkeeping is the art of making a systematic record of business transactions. From the record the Proprietor may ascertain the condition of his business.

**Business Transaction.** A business transaction is an exchange of values.

**Double Entry and Single Entry.** There are two methods of bookkeeping, *double entry* and *single entry*.

In *double entry*, accounts are kept not only with persons but with all sources that affect the results or the condition of the business.

In *single entry*, accounts are kept, usually, with persons only.

**Inventory.** An inventory is an itemized statement or schedule, in writing, showing the amount of certain assets *owned* by the business, or certain liabilities *owed* by the business.

**Capital.** Capital, at the beginning of the business, usually is the amount invested; at other times it is the excess of assets over liabilities.

**Merchandise.** Merchandise includes all commodities which are held for purposes of exchange.

**Expense.** Expense is any cost necessary to carry on the business.

**Interest.** Interest is the compensation allowed by law or fixed by the parties for the use or forbearance or detention of money. — HUFFCUT.

**Notes Receivable.** Notes receivable are the written promises of others to pay us.

**Notes Payable.** Notes payable are our written promises to pay others.

**Posting.** Posting is a process of transferring debit and credit items to their respective accounts in the ledger.

**Present Worth.** The present worth of the *Proprietor's* account is,

Net credit plus net profit, or

Net credit minus net loss, or

The excess of assets over liabilities.

**Receipt.** A receipt is a written acknowledgment of money or other value received.

**Voucher.** A voucher is a written statement proving that some transaction has occurred.

**Solvency.** When assets exceed liabilities a business is *solvent*.

**Insolvency.** When liabilities exceed assets a business is *insolvent*.

**Journal.** The journal is a book in which the debits and the credits of business transactions are arranged systematically; the history of each transaction and the amount are included.

**Ledger.** The ledger is a book containing the accounts of the business, the debits and the credits having been collected from other books of entry.

**Book of Original Entry.** A book of original entry is a book in which entries are first made.

**Book of Final Entry.** A book of final entry is a book to which the debits and the credits of accounts are posted.

**Notebook.** A notebook contains an itemized record of all notes received or issued by the business.

**Charge.** The term *charge*, as used in bookkeeping, means *debit*.

**Invoice.** An invoice is an itemized statement of goods bought or sold. It includes the names, the quantities, the prices, and the amounts.

### RULES FOR JOURNALIZING

**General Rule.** *Debit* the account that stands for a value received, or for a person or a thing that causes value to go out.

*Credit* the account that stands for a value given, or for a person or a thing that brings in value.

The following is a general summary for the use of debit and credit:

DEBIT	CREDIT
1. Merchandise and other property which is bought	2. Merchandise and other property which is sold
3. That which costs value	4. That which produces value
5. All moneys received	6. All moneys paid out
7. Persons when they become indebted to the business	8. Persons when the business becomes indebted to them
9. Persons when the business gets out of their debt	10. Persons when they get out of debt to the business
11. Other persons' notes received by the business	12. Notes given or issued by the business
13. Notes redeemed or paid by the business	14. Other persons' notes when paid by them to the business



## APPENDIX B

### COMMERCIAL TERMS DEFINED

**Acceptance.** The name of an accepted draft; an agreement, by signature, to the terms named in the draft.

**Account Current.** An open or a running account; a detailed statement of transactions between two persons or two firms.

**Account Sales.** An itemized statement of sales and expenses, rendered by a commission merchant to his principal.

**Acknowledgment.** A formal admission, made before a notary or other qualified officer, that the act described was done voluntarily; the officer's certificate of such admission.

**Affidavit.** A written statement made under oath.

**Agent.** One who acts for, or in place of, another, by authority from him; a deputy.

**Assignee.** One appointed by another to do some act or to enjoy some right; generally, one to whom property is transferred for the benefit of the creditors.

**Attachment.** A seizure or taking into custody by virtue of a legal process.

**Auditor.** A person appointed to examine accounts.

**Bankrupt.** Any person whose property becomes liable to administration under the bankruptcy laws.

**Bill of Lading.** A receipt of a transportation company, containing an account of the goods shipped and the conditions of shipment.

**Bill of Sale.** A writing given by the seller of personal property to the buyer.

**Board of Trade.** In the United States, a voluntary organization of business men for the advancement of commercial interests.

**Bona Fide.** In good faith.

**Bond.** A written promise under seal, binding a person to do a certain thing or not to do it.

**Bonus.** Something given in addition to what is strictly due the recipient.

**Broker.** An agent between buyer and seller; a dealer on the stock exchange.

**Capital.** The investment in a business.

**Cashier.** One who has charge of money; in banks, the financial officer.

**Certified Check.** A check that has been accepted by the bank on which it is drawn, thereby making the bank security for its payment.

**Clearing House.** An institution in a city where daily settlements are made between banks by the mutual exchange of checks, drafts, etc., the difference between such exchanges being paid in cash.

**Collateral.** A security additional to the personal obligation.

**Common Carrier.** One who undertakes the office of carrying either goods or persons for hire.

**Copartnership.** The voluntary association or joining of two or more persons in a business enterprise. The same as partnership.

**Copyright.** A right of control granted by a government to an author or a publisher.

- Coupon.** A certificate of interest due, printed at the bottom of transferable bonds, designed to be cut off and presented for payment when the interest is due.
- Credit Memorandum.** A notice sent to a purchaser stating that an allowance has been made for goods returned, or for other causes.
- Deed.** A contract under seal, usually transferring the title of real estate.
- Depreciation.** A falling of value.
- Dishonor.** A refusal to pay an obligation when due, or to accept a draft when presented for acceptance.
- Dividend.** The allotment to each stockholder in the division of profits.
- Drayage.** Charges for conveying goods from one place to another.
- Exchange.** The method by which debts are discharged without the actual transference of money; the rate at which such exchange can be made.
- Extension.** An allowance of further time for the payment of a debt.
- Fixtures.** That part of the furnishings of a store or an office which is not movable.
- Footing.** The adding of a column of figures, or the result of such addition.
- Forgery.** The writing of another's name, as a signature, with fraudulent intent, or the altering of a written document.
- Franchise.** A certain right or privilege, granted by a government to individuals or corporations.
- Freight.** Compensation paid for the transport of goods or other property; that with which anything is laden for transportation.
- Good Will.** The value, in a business, of established reputation or patronage.
- Guaranty.** An agreement by which one person promises to make another secure in the possession or enjoyment of something; a security against loss.
- Honor.** To accept a draft, or to pay it when due.
- Income.** The total amount of the earnings and the receipts of money from all sources.
- Index.** An alphabetical table of contents.
- Indorse.** To write one's name on the back of a note, a check, or a draft; to record a partial payment on the back of a note.
- Installment.** A sum of money paid in stated portions.
- Insurance.** Indemnity against loss; the premium paid for insuring.
- Jobber.** A merchant who buys goods from importers and manufacturers, and sells to either wholesale or retail merchants.
- Liquidation.** Act or process of settling debts.
- Lease.** A contract, usually in writing, for the temporary possession of real estate or other property.
- Letter of Credit.** A letter usually issued by a bank, addressed to banks in foreign cities, directing payment of a stated amount to the holder. Such letters are usually carried by travelers.
- Manifest.** An invoice of a ship's cargo.
- Mercantile Agency.** An institution which obtains and furnishes information regarding mercantile enterprises, their financial standing, their business reputation, etc.
- Money.** Current coin; any circulating medium.
- Mortgage.** A conditional transfer of the title to real estate or chattels as security for the payment of a debt.
- Negotiate.** To treat with another with a view to reaching an agreement; to transfer for a valuable consideration.
- Net.** Clear of all charges or deductions.
- Notary.** A public officer who takes acknowledgments of legal documents and protests paper for nonpayment.

**Open Account.** A running or an unsettled account.

**Open Policy.** An insurance policy covering undefined risks and admitting of subsequent indorsements or additions.

**Outstanding Accounts.** Book accounts remaining unpaid.

**Overdrawn.** A term applied to a bank account when a check has been issued for an amount greater than one's credit balance.

**Patent.** An exclusive right to an invention, issued by a government.

**Pawnbroker.** One who makes a business of lending money on personal property pledged and in his keeping.

**Power of Attorney.** A legal authority to act for another.

**Premium.** The consideration paid for a contract of insurance; a sum or bonus in addition to the capital.

**Protest.** A formal notice, issued by a notary to the indorser or the indorsers of a note or draft, of the nonpayment of a note or a draft, or the nonacceptance of a draft.

**Quotations.** The published or current prices of stocks, bonds, or any commodity.

**Rebate.** An allowance for overcharge, for early payment, or for other reasons.

**Receiver.** A person appointed by the court to hold in trust property which

is the subject of litigation, pending the suit; or one who is appointed to wind up the affairs of a partnership or a corporation on its dissolution.

**Retail.** To sell in small quantities.

**Short-extend.** To enter individual amounts at the left of the money column, to be extended in total in the money column.

**Sinking Fund.** A fund set apart for the redemption of bonds or for other specific uses.

**Sundries.** Many different or small things.

**Syndicate.** A combination of capitalists who unite their resources to advance some specific business enterprise.

**Tariff.** A lawful rate of duty on imports.

**Terms.** Conditions of sale or of agreement.

**Tickler.** A book containing memoranda of all time paper, and arranged so as to serve for a reminder to pay or to collect.

**Trustee.** One intrusted with property for another.

**Underwriter.** One who insures.

**Valid.** Binding in law.

**Void.** Not binding in law.

**Way Bill.** A document containing a description and shipping directions of goods sent by railroad.

**Wholesale.** Selling large quantities, usually in unbroken packages.

## APPENDIX C

### ABBREVIATIONS AND GENERAL TERMS

<b>A</b> . . . . .	America ; American	<b>ea.</b> . . . . .	Each
<b>A 1</b> . . . . .	First class	<b>e.g.</b> . . . . .	For example
<b>Acct. or acct.</b> . . .	Account	<b>Esq.</b> . . . . .	Esquire
<b>Acct. Cur.</b> . . . .	Account Current	<b>etc. or &amp;c.</b> . . .	And so forth
<b>Acct. Sales</b> . . . .	Account of Sales	<b>Ex.</b> . . . . .	Example
<b>Adv. or adv.</b> . . . .	Advertisement	<b>Exch.</b> . . . . .	Exchange
<b>Agt.</b> . . . . .	Agent	<b>fig.</b> . . . . .	Figure, Figures
<b>A.M.</b> . . . . .	Before noon ; Master of Arts	<b>F.O.B. or f.o.b.</b> .	Free on board
<b>Amt.</b> . . . . .	Amount	<b>Fol.</b> . . . . .	Folio, or page
<b>App.</b> . . . . .	Appendix	<b>ft.</b> . . . . .	Foot
<b>Asst.</b> . . . . .	Assistant	<b>gal.</b> . . . . .	Gallon
<b>Atty.</b> . . . . .	Attorney	<b>gr.</b> . . . . .	Grain
<b>Av. or Ave.</b> . . . .	Avenue	<b>gro.</b> . . . . .	Gross
<b>Bal.</b> . . . . .	Balance	<b>hhd.</b> . . . . .	Hogshead
<b>B.B.</b> . . . . .	Bill Book	<b>hund.</b> . . . . .	Hundred
<b>bb1.</b> . . . . .	Barrel	<b>i.e.</b> . . . . .	That is
<b>bd1.</b> . . . . .	Bundle	<b>in.</b> . . . . .	Inch
<b>Bk.</b> . . . . .	Bank	<b>Ins.</b> . . . . .	Insurance
<b>B/L</b> . . . . .	Bill of Lading	<b>inst.</b> . . . . .	Instant ; the present month
<b>Bld'g</b> . . . . .	Building	<b>Int.</b> . . . . .	Interest
<b>bu.</b> . . . . .	Bushel	<b>Inv.</b> . . . . .	Invoice
<b>bx.</b> . . . . .	Box	<b>Jr.</b> . . . . .	Junior
<b>¢</b> . . . . .	Cent	<b>kg.</b> . . . . .	Keg
<b>Cash.</b> . . . . .	Cashier	<b>lb.</b> . . . . .	Pound
<b>Ck.</b> . . . . .	Check	<b>L.B.</b> . . . . .	Letter Book
<b>Co.</b> . . . . .	Company ; County	<b>L.F.</b> . . . . .	Ledger Folio
<b>C.O.D.</b> . . . . .	Collect on Delivery	<b>Ltd.</b> . . . . .	Limited
<b>Coll.</b> . . . . .	Collection ; Collector	<b>M.</b> . . . . .	Thousand
<b>Cr.</b> . . . . .	Credit ; Creditor	<b>Mdse.</b> . . . . .	Merchandise
<b>cwt.</b> . . . . .	Hundredweight	<b>Mem.</b> . . . . .	Memorandum
<b>da.</b> . . . . .	Day	<b>Messrs.</b> . . . .	Gentlemen ; Sirs
<b>Dep't</b> . . . . .	Department	<b>Mfg.</b> . . . . .	Manufacturing
<b>Dis.</b> . . . . .	Discount	<b>min.</b> . . . . .	Minute
<b>do.</b> . . . . .	The same	<b>Mme.</b> . . . . .	Madam
<b>doz.</b> . . . . .	Dozen	<b>mo.</b> . . . . .	Month
<b>Dr.</b> . . . . .	Debtor ; Doctor	<b>Mr.</b> . . . . .	Mister
<b>E. &amp; O.E.</b> . . . .	Errors and omissions excepted	<b>Mrs.</b> . . . . .	Mistress
		<b>MS.</b> . . . . .	Manuscript

<b>MSS.</b> . . . .	Manuscripts
<b>N.A.</b> . . . .	North America
<b>N.B.</b> . . . .	Take notice
<b>No. or no.</b> . . .	Number
<b>O.K.</b> . . . .	All correct
<b>Oz. or oz.</b> . . .	Ounce
<b>p.</b> . . . .	Page
<b>Payt. or payt.</b> .	Payment
<b>pc.</b> . . . .	Piece
<b>Pd.</b> . . . .	Paid
<b>per</b> . . . .	By
<b>Per cent or per</b>	
<b>cent</b> . . . .	By the hundredths
<b>pk.</b> . . . .	Peck
<b>pkg.</b> . . . .	Package
<b>P.M.</b> . . . .	Postmaster; After- noon
<b>P.O.</b> . . . .	Post Office
<b>pp.</b> . . . .	Pages
<b>pr.</b> . . . .	Pair
<b>Pres.</b> . . . .	President
<b>prox.</b> . . . .	Proximo; of the next month
<b>pt.</b> . . . .	Pint
<b>P.S.</b> . . . .	Postscript
<b>qr.</b> . . . .	Quire; Quarter
<b>qt.</b> . . . .	Quart
<b>Rec'd</b> . . . .	Received
<b>Ret'd</b> . . . .	Returned
<b>Rev.</b> . . . .	Reverend
<b>R.R.</b> . . . .	Railroad
<b>Ry.</b> . . . .	Railway
<b>Sec.</b> . . . .	Secretary
<b>Shipt.</b> . . . .	Shipment
<b>sq. ft.</b> . . . .	Square feet
<b>Sr.</b> . . . .	Senior

<b>St.</b> . . . .	Street; Saint
<b>Str.</b> . . . .	Steamer
<b>Sunds.</b> . . . .	Sundries
<b>Supt.</b> . . . .	Superintendent
<b>Tr.</b> . . . .	Transpose
<b>Treas.</b> . . . .	Treasurer
<b>ult.</b> . . . .	Ultimo; of the last month
<b>U.S.M.</b> . . . .	United States Mail
<b>via</b> . . . .	By way of
<b>viz.</b> . . . .	Namely; to wit
<b>vol.</b> . . . .	Volume
<b>vs.</b> . . . .	Against
<b>W/B</b> . . . .	Way Bill
<b>wk.</b> . . . .	Week
<b>wt.</b> . . . .	Weight
<b>Yd. or yd.</b> . . .	Yard
<b>Yr. or yr.</b> . . .	Year

## ARBITRARY SIGNS

<b>a/c</b> . . . .	Account
<b>@</b> . . . .	At <i>or</i> to
<b>c/o</b> . . . .	Care of
<b>¢</b> . . . .	Cent
<b>✓</b> . . . .	Check mark
<b>\$</b> . . . .	Dollar
<b>#</b> . . . .	Number, if written before a figure; pounds, if written after a figure
<b>%</b> . . . .	Per cent
<b>r¹</b> . . . .	One and one fourth
<b>r²</b> . . . .	One and two fourths
<b>r³</b> . . . .	One and three fourths
<b>'</b> . . . .	Feet
<b>"</b> . . . .	Inches

APPENDIX D

FORMS AND LEGAL DOCUMENTS

W. O. WEAVER

C. W. FREY

W. D. RADCLIFFE

Office of

W. O. Weaver & Co.

WHOLESALE GROCERS

Boston, Mass., Sept. 10, 19—

Smith, Perkins & Co.

Rochester, N. Y.

Gentlemen:

Please find herewith a New York draft  
for Eleven hundred sixty-three and  $\frac{27}{100}$  Dollars  
(\$1163  $\frac{27}{100}$ ) in payment of invoice of Aug. 31, less  
discount, as follows:

Amount of invoice \$1224  $\frac{50}{100}$

Less 5% 61  $\frac{25}{100}$

Balance as per inclosure \$1163  $\frac{27}{100}$

Yours very truly,

W. O. Weaver & Co.

per R

FORM I. LETTER OF REMITTANCE



## Articles of Copartnership

*made and entered into this first day of May, one thousand nine hundred and eighteen, between Malcolm D. Gilbert, of the City of Boston, County of Suffolk, and Commonwealth of Massachusetts, and Chas. M. Wentworth, of said Boston: witnesseth:*

**First.** This copartnership is formed for the purpose of carrying on in said City of Boston a Jobbing Furniture business under the firm name of M. D. Gilbert & Co., and shall continue for two years from the date hereof unless sooner dissolved by mutual consent.

**Second.** As his contribution to the capital of the firm said Malcolm D. Gilbert hereby transfers to the said firm his business now located at No. 467 East Street, and said firm assumes and agrees to pay the outstanding liabilities of the said business. Said business is taken over at the net value of \$14,225, and is more particularly described in the Schedule of Assets and Liabilities hereto annexed.

**Third.** Said Chas. M. Wentworth contributes as his share of the capital as follows: cash, \$7000; stock of furniture, \$1500; account with Foley Bros., \$5725; total, \$14,225.

**Fourth.** Each partner shall, semi-annually, be credited on the books of the firm with interest at the rate of 6 per cent per annum on his share of the capital for the time being standing to his credit, before any division of profits is made, such interest charge to be treated as an expense of the business.

**Fifth.** Each partner shall be credited with the sum of \$100 per month as salary, and he may withdraw the same monthly, for services rendered, or, at his option, any balance remaining undrawn may be carried to such partner's capital account. Such salaries shall be charged as an expense of the business and not reckoned as profits.

**Sixth.** Profits and losses shall belong to, and be borne by, the said partners in equal shares.

**Seventh.** Neither partner shall, for the benefit of any third person, indorse any notes or negotiable paper, or become surety or guarantor or otherwise liable for the benefit of third parties, without the assent in writing of the other partner first obtained.

**Eighth.** An account of the stock and of the debts and liabilities of the firm shall be taken at least annually, and the profits or losses computed and credited or charged to each partner's capital account. After such accounting, either party shall be at liberty to withdraw his share of any net profits of the firm, and any profits not so withdrawn shall be added to and deemed a part of the capital account of such copartner.

**Ninth.** Neither partner shall engage in any other business, but each shall devote his entire time and attention to and put forth his best efforts and energy for the furtherance of the business aforesaid.

**Tenth.** Complete and accurate books of account shall be kept, used in common, and each partner shall, at all times, have access thereto.

To the faithful performance of all the terms and conditions of these Articles of Copartnership, the undersigned partners hereby bind themselves each to the other, his heirs, executors, administrators, and assigns.

**In Witness Whereof,** the parties have hereto affixed their hands and seals, in duplicate, the day and year first above written.

[Signed]

{ Malcolm D. Gilbert [SEAL]  
Chas. M. Wentworth [SEAL]

## Know all Men by these Presents

that we, B. W. Morgan and Robert Hall, constituting the firm of B. W. Morgan & Co., of the City of Boston, Mass., have made, constituted, and appointed, and by these Presents do make, constitute, and appoint, Charles M. Raymond, of the City of Newton, Mass., our true and lawful Attorney, for us and in our name, place, and stead to transact business and to sign and indorse any or all of the notes, checks, drafts, letters, and all other instruments in writing received in the course of or issuing from our business, giving and hereby granting unto our said Attorney full power and authority to sign and indorse such instruments, and to perform all and every act whatsoever about the premises as freely, fully, and effectually as we could do if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that our said Attorney or his substitute shall lawfully do or cause to be done by virtue hereof.

In Witness Whereof, we have hereunto set our hands and seals this fifteenth day of July in the year nineteen hundred and eighteen.

Charles M. Raymond  
Attorney's Signature

B. W. Morgan [SEAL]

Robert Hall [SEAL]

Commonwealth of Massachusetts } ss.  
County of Suffolk

Boston, Mass., July 15, 191—

Then personally appeared the above-named B. W. Morgan and Robert Hall and acknowledged the foregoing instrument to be their free act and deed.

Before me,

E. C. Mills

Notary Public

# Commonwealth of Massachusetts

County of Suffolk } ss.  
City of Boston }

On the tenth day of December, in the year of our Lord one thousand nine hundred and eighteen, I, W. A. Witter, Notary Public, duly admitted and sworn, and practicing in said Commonwealth, at the request of Leigh H. Benson, Esq., Cashier of the Commercial National Bank, went with the original note, which is hereunto annexed, the time therein limited having fully elapsed, and demanded payment thereof at the Excelsior National Bank, and was answered by the Paying Teller, "No funds."

The note remaining unpaid, I duly and officially notified the indorsers thereof at the following address:

Roslyn & Brown, 92 West St., City,  
B. W. Hosten & Co., Newton, Mass.,

(postage prepaid) of said default requiring payment. Wherefore, I, the said Notary, by request as aforesaid, have protested and by these presents do solemnly protest, against the drawer of said note, the indorser, and all others concerned therein, for exchange, re-exchange, and all costs, charges, damages, and interest, suffered and sustained, or to be suffered and sustained, by reason or in consequence of the non-payment thereof.

SEAL

In Testimony Whereof, I have hereunto set my hand and affixed my Notarial Seal, the day and year first above written.

F E E S	Noting Non-Acceptance . . .	
	Postage . . . . .	
	Protesting for Non-Payment . .	\$1.50
	Postage . . . . .	.04
		<hr/> \$1.54

W. A. Witter  
Notary Public

## Commercial National Bank

Boston, Mass., Dec. 10, 19—

Roslyn V Brown  
92 West St., City

Dear Sirs:

You are hereby notified that a note  
for Nine hundred sixty  $\frac{50}{100}$  ~~~~~~Dollars  
drawn by Leeker, Burr & Co., and indorsed by you, dated  
Sept. 10, 19—, payable three months after date, has been  
protested by me for non-payment after due demand at the  
Excelsior National Bank this day, and that you are held  
answerable for the amount, with all legal costs, interests, and  
damages in consequence of the non-payment thereof.

Respectfully yours,

W. A. Witley  
Notary Public

## APPENDIX E

### THE USE OF TELEGRAMS

The following model suggests the general wording and the form of a telegram as it would be made out on a Western Union blank:

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2">CLASS OF SERVICE DESIRED</th> </tr> <tr> <td>Fast Day Message</td> <td style="text-align: center;">X</td> </tr> <tr> <td>Day Letter</td> <td></td> </tr> <tr> <td>Night Message</td> <td></td> </tr> <tr> <td>Night Letter</td> <td></td> </tr> </table> <p><small>Patrons should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A FAST DAY MESSAGE.</small></p>	CLASS OF SERVICE DESIRED		Fast Day Message	X	Day Letter		Night Message		Night Letter		<div style="display: flex; align-items: center; justify-content: center;"> <div style="font-size: 2em; font-weight: bold; margin-right: 10px;">WESTERN UNION</div> <div style="font-size: 2em; font-weight: bold; margin-left: 10px;">TELEGRAM</div> </div> <p style="font-size: 0.8em; margin-top: 5px;">NEWCOMB CARLTON, PRESIDENT      GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT</p>	<p style="text-align: right; font-size: 0.8em;">Form 1207</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="height: 30px; vertical-align: top;">Receiver's No.</td> </tr> <tr> <td style="height: 30px; vertical-align: top;">Cable</td> </tr> <tr> <td style="height: 30px; vertical-align: top;">Time Filed</td> </tr> </table>	Receiver's No.	Cable	Time Filed
CLASS OF SERVICE DESIRED															
Fast Day Message	X														
Day Letter															
Night Message															
Night Letter															
Receiver's No.															
Cable															
Time Filed															
<p>Send the following telegram, subject to the terms on back hereof, which are hereby agreed to</p> <p style="text-align: right; margin-right: 50px;">Boston, Mass., July 11, 191—</p> <p>To <u>W. M. Brown &amp; Co.</u></p> <p style="text-align: center; margin-top: 10px;"><u>146 Fifth Avenue, New York, N.Y.</u></p> <p style="margin-top: 10px;"><u>Ship fast freight twenty number sixty library tables</u></p> <p style="text-align: center; margin-top: 10px;"><u>Manning &amp; Ball</u></p> <p style="margin-top: 10px;">_____</p> <p style="margin-top: 10px;">_____</p> <p style="margin-top: 10px;">_____</p>															
<p><small>SENDER'S ADDRESS FOR ANSWER</small></p>	<p><small>SENDER'S TELEPHONE NUMBER</small></p>	<p>Main 237</p>													

In writing telegrams, observe the following:

1. Omit the salutation, the complimentary close, and all superfluous words. Avoid such expressions as *Ship immediately by American Express*, etc. Here, and in all similar expressions, such words as *immediately*, *at once*, etc. are entirely unnecessary. A telegram in itself implies urgency.

2. Make all messages as short as possible, but clear and definite. A fixed charge is made for all messages, except those sent by cable, not exceeding ten words, and for every word in excess of that number there is an additional charge. All charges are regulated somewhat by distance.

3. No charge is made for the name and the address of the person who is to receive the message, or for the name of the sender.

4. The sender of a message should never include his street number when writing his address. A charge is made for everything in the address except the name of the city or the town, the state, and the date. If you are not



generally known in a large city or town, give the sending operator your street address, and answers will be delivered promptly and no additional charge made.

5. Numbers should be written in full, since the charge is the same for a figure as for a word; for example, *Send by fast freight 20 #1000 mahogany library tables* would be counted as fourteen words, while *Send fast freight twenty number one thousand mahogany library tables* would be counted as ten words.

6. Except in a cable message, each part of a compound word is counted as an entire word; for instance, *twenty-five* is counted as two words.

7. Each initial of a name is charged as a separate word, but a few abbreviations are counted as one word, as f.o.b., C.O.D., A.M., P.M., etc.

8. In cable messages a charge is made for the name and the address of the one to whom the message is sent, and for the signature as well as for the message.

9. Many kinds of cipher language are used to guard the secrecy and reduce the expense of messages. This plan is found very serviceable when the cost of transmission is great, or when very important matters are to be telegraphed without giving information except to those entitled to it. Almost all cable messages are in cipher. To telegraph or cable in cipher, business men employ what is called a *code*,—a system of abbreviations in which a single word stands for a whole phrase or sentence; for example, *Autumn* might stand for *Knowlton, Beach & Co., Butleigh, Glastonbury, England*, or *We arrived here this morning*, or any other expression understood by both the sender and the receiver of a telegram or a cable message.

10. All messages of importance should be repeated. For one half the original cost of a telegram the sender of any message can have the receiving operator repeat it to the operator who sent it. Errors in important telegrams are in this way avoided.

11. Night messages are taken at reduced rates. These can be sent at any time after 6 p. m., but they are not delivered until the next morning.

12. *Night letters* will be received not later than midnight, to be transmitted for delivery on the morning of the next business day. Fifty words or less may be sent for the day rate of ten words. Additional charges are made for more than fifty words.

13. *Day letters* will be transmitted at one and one-half times the standard night-letter rate for fifty words or less. Additional charges are made for more than fifty words.



## APPENDIX F

### THE FORMATION OF PARTNERSHIPS

The following illustrations apply to the formation of partnerships :

*First*, the formation of a partnership on the basis of equal investment by each partner at the beginning of the business.

The necessary entry is of the simplest character, as follows :

Cash	4000	
A, Investment		2000
B, Investment		2000

When posted, each partner's account will appear as follows :

#### A, INVESTMENT

						19— Jan.	1			4	2000
--	--	--	--	--	--	-------------	---	--	--	---	------

#### B, INVESTMENT

						19— Jan.	1			4	2000
--	--	--	--	--	--	-------------	---	--	--	---	------

*Second*, the formation of a partnership by the individual proprietor when he sells a half interest in an established business.

A has an established business worth \$15,000; he sells B a half interest for \$7500; thus B becomes an equal partner. The money received by A is not a part of the capital of the new firm; it is his individual possession, and the capital of the firm is \$15,000.

On A's books, as proprietor, the investment account appeared as follows :

#### A, INVESTMENT

						19— Jan.	1			3	15000
--	--	--	--	--	--	-------------	---	--	--	---	-------

Under the partnership agreement one half of this sum must be credited to each partner, and this is accomplished by the following journal entry:

A, Investment	|| 7500 ||	|| 7500 ||	|
B, Investment			

When this entry is posted, the accounts of the proprietors, on the books formerly used by A, will appear as follows:

## A, INVESTMENT

19— Jan.	1		3	7500		19— Jan.	1		3	15000
-------------	---	--	---	------	--	-------------	---	--	---	-------

## B, INVESTMENT

						19— Jan.	1		3	7500
--	--	--	--	--	--	-------------	---	--	---	------

*Third*, the formation of a partnership when the incoming partner makes an investment equal to the value of the established business.

Illustration: A has a business worth \$18,000; B invests a like sum and becomes an equal partner. The money invested by B is a part of the capital of the firm, which is now \$36,000.

On A's books, as proprietor, the investment account appeared as follows:

## A, INVESTMENT

						19— Jan.	1		2	18000
--	--	--	--	--	--	-------------	---	--	---	-------

The following entry should be made when B makes his investment:

Cash	|| 18000 ||	|| 18000 ||	|
B, Investment			

When this entry is posted, B's account, on the books formerly used by A, will appear as follows:

## B, INVESTMENT

						19— Jan.	1		7	18000
--	--	--	--	--	--	-------------	---	--	---	-------

A's account will remain unchanged, and each partner is now credited for one half of the capital of the firm.

NOTE. The cash items in the illustrations may be entered in the cashbook; the journal entry has been used simply to set forth the debit and the credit items more clearly.

Only two partners have been considered, but the principles are the same whether there are two partners or more than two, and whether the investments are equal or unequal.

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